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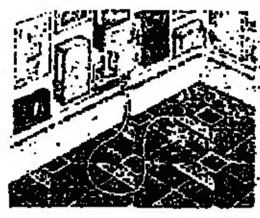

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FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY JUNE 29 1993 — D8523A

Boeing to improve 737 jets to meet Airbus challenge

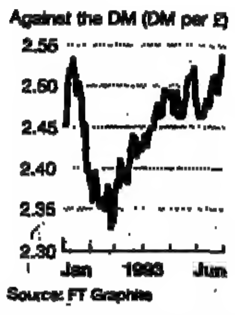
Boeing, US aircraft manufacturer, is expected to offer airlines a new family of improved 737 airliners to challenge the European Airbus consortium's twin-engine aircraft range.

The Boeing board was meeting in Seattle to consider giving the go-ahead for an improved family of 737 jets. More than 3,000 of the existing 737 jets have been ordered, making it the world's best-selling jet. Page 14

US warns Tokyo: The US has told Japan their economic relationship could become increasingly strained unless Tokyo responds to Washington's proposals for a framework for further detailed trade talks. Page 5; Action on surplus 'would stoke inflation', Page 4

EC emissions regime tightened: New passenger vans and light goods vehicles in the European Community will have to be fitted with catalytic converters from next year, environment ministers decided. Page 14

Sterling strengthens against D-Mark



Source: FT Graphite

Sterling performed strongly against the D-Mark in London yesterday, rising 2¼ pfennigs amid suggestions from some analysts that the pound could be one of the strongest performers on the currency markets in the next three months. The pound closed at DM2.5375 against the D-Mark, and was also strong against the dollar, closing at $1.493 from a previous $1.478. Currencies, Page 34

Afrikaner land ruling: South Africa's constitutional negotiators are today expected to decide whether to grant the Conservative party's demand for Afrikaner self-determination. Page 4

Italian wage accord elusive: Talks between Italy's employers and unions on a new wage bargaining system ran into difficulties with employers determined to get a favourable agreement. Page 2

Izetbegovic under pressure: Members of Bosnia's presidency will try this week to persuade their head, Alija Izetbegovic, to rejoin negotiations on the latest Serbian-Croatian peace plan for Bosnia. Page 2

Bonn urged to tell truth: Tyll Necker, president of the BDI federal industry association, said the German government must tell "the unvarnished truth" and set out clear targets to help break the downward economic spiral. Page 3

Oilfield talks suspended: Talks on a $9bn development project for three oilfields in the Azerbaijan sector of the Caspian Sea have been suspended following political upheaval in the republic, British Petroleum said. Page 2; Wary oil industry, Page 6

Closure of US bases sought: Charleston naval station and shipyard, South Carolina, Alameda naval air station and Mare Island shipyard in San Francisco Bay are among US military bases recommended for closure by an independent commission. Page 3

Somalis kill UN peacekeeper: A Pakistani member of the UN peacekeeping force in Somalia was killed and two seriously wounded in an ambush on a patrol trying to clear snipers in Mogadishu.

Northern Telecom shares fall: Shares in Canadian telephone equipment maker Northern Telecom lost 20 per cent of their value after the group said it expected a second-quarter loss. Page 15

China company's Hong Kong shares: China's largest beer exporter, Tsingtao Brewery, will today become the first Chinese-registered company to issue shares in Hong Kong. Page 18

AZT guidelines: Shares in Wellcome fell 10p to 688p after further guidelines for the use of AZT to treat HIV and Aids were submitted by the US National Institutes of Health. Page 3

Royal separation: Buckingham Palace announced the formal separation of the Duke and Duchess of York ending speculation about a possible reconciliation.

Boris Christoff, Bulgarian-born bass best-known for his portrayal of the title role in Musorgksy's Boris Godunov, died at his home in Rome aged 79. Obituary, Page 11

■ STOCK MARKET INDICES		
FT-SE 100:	2897.8	(+9.5)
Yield	3.96	
FT-SE Eurotrack 100	1210.15	(+8.03)
FT-A All-Share	1430.17	(+0.3%)
Nikkei	19,888.76	(+227.19)
New York: lunchtime		
Dow Jones Ind Ave	3514.69	(+23.80)
S&P Composite	450.46	(+2.86)
■ US LUNCHTIME RATES		
Federal Funds:	3⅛%	
3-mo Treas Bills: Yld	3.115%	
Long Bond	105⅝	
Yield	6.683%	
■ LONDON MONEY		
3-mo Interbank	6%	(same)
Liffe long gilt future:	Jun 108⅛	(Jun 107⅞)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Aug)	$17.55	(17.59½)
■ Gold		
New York Comex (Aug)	$376.1	(378.1)
London	$375.25	(376.45)

■ STERLING		
New York lunchtime:		
$	1.494	
London:		
$	1.493	(1.478)
DM	2.5375	(2.515)
FFr	8.5425	(8.495)
SFr	2.2475	(2.235)
Y	158.25	(156.75)
£ Index	80.3	(79.5)
■ DOLLAR		
New York lunchtime:		
DM	1.699	
FFr	5.7205	
SFr	1.5075	
Y	105.975	
London:		
DM	1.70	(1.702)
FFr	5.7225	(5.7475)
SFr	1.5055	(1.5115)
Y	106.05	(same)
$ Index	65.3	(same)
Tokyo close Y 106.0		

Austria	Sch30	Germany	DM3.30	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Greece	Dr300	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Hungary	Ft 172	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	Iceland	IKr180	Neth	Fl 3.75	Slovak Rp	KSL45
Croatia	HRD5700	India	Rs40	Nigeria	Naira45	Slovenia	SLT220
Cyprus	CC1.00	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta200
Czech Rp	Kcs45	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Pakistan	Rs35	Switz	SFr3.20
Egypt	E£4.50	Korea	Won 2500	Philippines	Pso45	Syria	S£50.00
Finland	FM12	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
France	FFr9.00	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

Christopherson may seek to replace Attali at EBRD

By Robert Peston in London, Hugh Carnegy in Stockholm and David Buchan in Paris

MR Henning Christophersen, the European Community economics commissioner, is expected to become the first formal candidate to replace Mr Jacques Attali as president of the European Bank for Reconstruction and Development.

The EBRD's Danish director, Mr Lars Tybjerg, yesterday told his fellow board members that Mr Christophersen, a former Danish finance minister, had expressed interest in the position. Mr Tybjerg gave fellow directors copies of Mr Christophersen's curriculum vitae.

Meanwhile, Mr Attali, who said on Friday that he would resign as soon as a successor is found, yesterday made an emotional farewell to a meeting of 400 EBRD employees.

He did not mention his resignation in the short speech, but he urged the staff to share his dream of creating a peaceful Europe in which the bank would "create jobs and joint ventures for all... "Maybe this is only a dream", he said. It was mine, it is now yours."

A quotation from an "ancient Persian poet" ended the speech: "An angel at night whispered to me in the wind and told me there is no such thing as an angel whispering to you in the wind'. It is up to you now to listen very carefully and you will hear the angel. It exists."

It also emerged yesterday that Mr Attali's personal assistant, Mr François Olive, who was responsible for all his travel arrangements and was recruited from the French interior ministry, has become the first member of Mr Attali's inner circle to resign.

Mr Christophersen is one of a number of possible candidates to replace Mr Attali. However, Dr Onno Ruding, the former Dutch finance minister whose candidacy would be supported by several governments, has told colleagues in Citicorp, where he is a vice-chairman, that he is not interested in joining the EBRD.

The chairman of the bank's governors, Mrs Anne Wibble, the Swedish finance minister, is likely to press for the appointment of an interim president, to allow more time for the selection of a permanent replacement for Mr Attali, according to Swedish officials.

Such a temporary appointment, which is also supported by many of the bank's directors, could take place in the next few days. The bank's 23 directors, who represent the countries and agencies which own the bank, are likely to call an emergency meeting to discuss the succession.

"Many of us believe the ideal candidate as interim president is Claes de Neergaard [the Swedish director]," said a director. "We may formally recommend to Mrs Wibble that she appoint him."

Mr de Neergaard's appointment would be resisted by the bank's executives, many of whom are lobbying for Mr Mario Sarcinelli, the head of development banking, or Mr Ron Freeman, head of *merchant banking*.

Mrs Wibble plans to discuss the succession issue with her two vice-chairmen, the finance ministers of Japan and Slovenia, on July 6. Mrs Wibble will also discuss the sensitive issue of severance terms for Mr Attali.

Poll shows Clinton decision to bomb Iraq backed by two-thirds of the public

US attack 'warning' to terrorists

By Jurek Martin in Washington, James Whittington in Baghdad and Alison Smith in London

PRESIDENT Bill Clinton said yesterday that the weekend US missile strike on Baghdad was intended as a warning, not only to Iraq but to all governments which fostered terrorism.

Mr Clinton said he had been advised that Iraqi intelligence capacity in Baghdad, target of the raid, had been crippled. The US claims that a plan to assassinate former President George Bush in Kuwait in April had been drawn up in the Iraqi intelligence headquarters.

One side of the main 10-storey block has virtually collapsed and the adjoining six-storey building had most of its roof blown away. But the nearby communications tower was unscathed.

Foreign diplomats in Baghdad said yesterday there was deepening despair in the population, who had hoped that Mr Clinton's arrival in the White House might bring a change in US attitudes and an easing of sanctions.

Although the missile attack had come as a shock to most Iraqis, it may not have surprised the regime. US reconnaissance aircraft had been seen over Baghdad for the two days preceding the attack, and some retaliation had been expected following the allegations of Iraqi complicity in the plot to kill Mr Bush.

Vice-president Al Gore, in a television interview amplifying Mr Clinton's general warning, said any country contemplating a terrorist action against the US "now know that if they do that they're going to get a response".

Apart from Iraq, US concerns are mostly directed at Iran and Sudan. Mr Warren Christopher, secretary of state, complained on Sunday that too many US allies are "doing too much trading" with Iran, thereby assisting the build-up of its military capability, possibly including nuclear ambitions.

Some of the 14 defendants accused of plotting to kill former US president George Bush on trial in Kuwait's state security court

■ Baghdad pessimism Page 4
■ UK support attacked Page 6
■ Sad about Uncle Sam Page 12

The Sudanese connection has been highlighted by last week's arrest in New Jersey of an alleged terrorist cell numbering several Sudanese nationals and linked to the outspoken cleric, Sheikh Omar Abdul Rahman, who arrived in the US in 1991 from Khartoum.

The New York Times reported yesterday that senior administration officials, including Ms Janet Reno, the attorney-general, had intervened with the FBI not to arrest the sheikh, partly on the grounds of questionable evidence against him and partly because he was felt to be more useful at liberty as a source of information on Islamic terrorism.

One official was quoted as saying that if it could be proved that Iran and/or Sudan was behind the New Jersey group then the US response would be put in the hands of the Pentagon.

Mr Clinton's decision to launch missiles against Iraq has continued to win general approval, with one instant poll recording support of two-thirds of the public.

In his brief comments promising an "aggressive" response to terrorism, the president also said he wanted "to move on to other matters," specifically his domestic economic agenda and preparation for next week's summit in Tokyo of the Group of Seven leading economic nations.

In Britain Mr Douglas Hurd, the foreign secretary, was forced to defend the UK government's support for the attack on Baghdad, insisting that it was a "justified and proportionate" response.

In an emergency statement to the House of Commons, Mr Hurd came under fire from MPs from the opposition Labour party who declared that the action should not have had the backing of the UK.

Spokesmen for both the Labour and Liberal Democrat parties warned of its damaging impact on the role of the UN.

Balladur wins small business backing in jobs fight

By David Buchan in Paris

THE French prime minister, Mr Edouard Balladur, has enlisted the small business sector in his fight to cut unemployment, but at the cost of handing out yet another tax break and of pledging to curb the expansion of supermarkets.

The CGPME small business federation promised Mr Balladur at the weekend that its members would try to hire 200,000 more young people this autumn. Such numerical promises are music to the ears of the prime minister, who failed to get the Patronat employers' federation to commit itself to a similar target.

In return, Mr Balladur raised the amount – from FFr15,000 ($2,700) to FFr20,000 – people can put into tax-free savings accounts for banks to lend to small businesses, and asked banks to lower the interest rate, from 8.75 per cent to 8.25 per cent, they charge on these loans. This would make an extra FFr10bn in subsidised loans available to small businesses, Mr Balladur said.

The big commercial banks have said they will cut their base rate further on Thursday to 8.4 per cent. But small businesses generally have to pay much more, because banks consider them to be riskier customers.

In another example of how

Continued on Page 14

Montedison's revised loss of $1.1bn stuns investors

By Haig Simonian in Milan

MONTEDISON, the Italian chemicals group controlled by the troubled Ferruzzi Finanziaria (Ferfin) holding company, yesterday stunned shareholders by announcing that group losses for 1992 were L1,679bn ($1.1bn).

Last night Ferfin announced a revised group loss of L1,687bn for 1992 compared with the previously disclosed L1,519bn deficit.

The rise from the L1,244bn loss earlier announced was caused by a newly discovered L320bn loss at a little-known subsidiary, Financing and Investments NV, controlled by the group's Montedison International Holding subsidiary.

Mr Carlo Sama, the outgoing managing director, told the annual meeting it was not clear when, where or how the loss had been incurred, nor how big the final liability would be. He implied the loss, which had only just been discovered, went back some time. Price Waterhouse, Montedison's accountants, are continuing investigations.

The company was unable to explain why the mysterious additional loss had resulted in different adjustments to parent company and group results. While parent company losses were revised upwards by L320bn to L724bn, group losses were raised by L435bn. The difference triggered speculation that other parts of Montedison might have been involved and the parent company figure excluded minority interests.

Montedison's revised accounts also included a new L500m provision in connection with allegations against Mr Giuseppe Garofano, a former Ferruzzi and Montedison executive, in Italy's political corruption scandal. Mr Garofano disappeared earlier this year after magistrates called on him to explain a L250m donation to the Christian Democrat party. He claimed the money had been a personal contribution.

Turning to this year's performance, Mr Sama said that *although the group's operating* earnings had improved, Montedison lost L655.9bn at parent company level in the first five months.

Shareholders approved the appointment of a new, smaller board, with Mr Guido Rossi as chairman and Mr Enrico Bondi as managing director. As expected, Mr Arturo Ferruzzi, son of the late Mr Serafino Ferruzzi, the group's founder, stepped down as chairman.

The new board reflected the wishes of the five Italian creditor banks which have taken effective control of the Ferruzzi empire. The Ferruzzi family retains some representation on the board, reduced to five from 22 members. Mrs Alessandra Ferruzzi, youngest of the founder's three daughters and wife of Mr Sama, has a seat, as does Mr Ariberto Mignoli, the Ferruzzis' lawyer. Mr Sama is stepping down as deputy chairman and managing director.

Shares in Ferfin and Montedison were suspended yesterday pending the announcement of the revised losses.

CONTENTS

Bonn urged to tell 'truth' on economy

By Christopher Parkes in Frankfurt

THE German government must tell "the unvarnished truth", set out clear targets and provide the necessary political leadership to help break the downward economic spiral, according to Mr Tyll Necker, president of the BDI federal industry association.

All economic indicators were still pointing downwards and cuts in production and workforces would continue in the coming months, he said yesterday. There were no signs of any improvement.

Complaining of a crisis of confidence, and alleging that politicians did not take the business community's appeals seriously, Mr Necker demanded that Bonn set clear goals. It should say when and how it would reverse the rise in state indebtedness and reduce the tax burden. It should also back up its targets with "concrete and credible" actions, he said.

"Those who announce their willingness to make savings and at the same time let loose an avalanche of costs on employment damage their credibility," Mr Necker said. Continuous talk of new burdens and taxes shook investors' and consumers' confidence, he added.

He repeated industry's opposition to proposals for funding care for the elderly, and complained about looming increases in pensions contributions and fuel taxes.

The business community was working on cutting costs and payrolls. "But industry also has to warn politicians and unions neither to underestimate nor to gloss over the extent of our problems," he said.

Mr Necker's protest coincided with a further worsening in the mood in key sections of German industry.

The VDMA engineering industry association revised its forecasts for this year from a real fall in output of 5 per cent to a drop of 8 per cent.

New orders booked in May were 10 per cent down on the same month last year.

The motor traders' association claimed new vehicle registrations in Germany would fall 23 per cent this year, basing its estimate on a 20 per cent drop in the first five months.

Cartel Office in mergers warning

By Judy Dempsey in Berlin

GERMANY'S Cartel Office yesterday announced a record number of mergers since unification, but warned they were often hindering competition in eastern Germany.

During 1991 and 1992, 3,750 mergers were registered at the office, 800 more than in the previous two years. More than 1,300 enterprises or companies in the east were merged with western companies, partly to rationalise in response to the recession, but also sometimes to stem competition in the five new states.

The Cartel Office, whose powers are confined to judging the validity of a merger, had managed, however, to challenge 133 takeover or merger cases under European Community regulations.

The most notable cases questioned by the office, and rejected by the European Commission, included mergers between Varta, the battery company, and Bosch, the white goods manufacturer; Alcatel, the telecommunications group, with AEG Kabel, the electronics concern; Mannesmann with Hoesch; and Siemens with Philips.

Gloom surrounds Italian wage bargaining talks

By Haig Simonian in Milan

MR GINO GIUGNI, Italy's labour minister, warned that crucial talks between employers and trade unions on a new wage bargaining system had got off to a difficult final week yesterday, with employers determined to get a favourable agreement.

The talks, which the government wants to conclude by Monday, have faltered on difficulties in bridging differences over simplifying the bargaining system and increasing labour flexibility.

Mr Giugni said: "The chances of reaching an agreement . . . have gone down." He said yesterday's meeting between ministers and the Confindustria employers' federation had "gone badly" and warned that "big difficulties" remained. The government would present a compromise document later this week.

Meanwhile, officials denied weekend reports that Mr Carlo Azeglio Ciampi, prime minister, had threatened that the government could fall if the negotiations failed to succeed.

The government opted for separate meetings with the unions and employers after trilateral talks last week made only limited progress. Ministers are due to meet union representatives tomorrow.

However, chances of reaching a settlement have been complicated by internal difficulties for two of the three union federations. On the first day of its annual conference in Rome, debate at the big CISL trade union federation was overshadowed by allegations that Mr Sergio D'Antoni, its leader, had accepted payments from a leading industrialist implicated in the political corruption scandal.

Mr D'Antoni said he would contact Milan magistrates opportunity to rebut the allegations by Mr Vincenzo Lodigiani, a prominent industrialist, that he paid illicit contributions to the CISL and the UIL union federations.

Separately, internal pressures within the CGIL, the biggest union federation, mounted as Mr Bruno Trentin, its leader, held out against a capitulation to employers' demands.

BP's talks on Azeri fields suspended

Power vacuum in Baku halts progress on western oil projects

By Deborah Hargreaves

BRITISH Petroleum said yesterday that talks over a $9bn (£6bn) development project for three oilfields in the Azerbaijan sector of the Caspian Sea had been suspended following political upheaval in the republic. But the company is optimistic that negotiations will resume in a matter of weeks.

A BP official said that a team of negotiators from Socar, the Azerbaijan energy company, had been recalled to the capital, Baku, after spending last week in London. "They can't feel comfortable negotiating these sort of things when the government is being changed. It doesn't surprise us a bit," he said. But the government upheaval could lead to changes in officials in charge of running Socar which could further delay talks, industry observers said.

Before he was forced to flee Baku, Azerbaijan's president, Mr Abulfaz Elchibey, had been due in London on Friday to sign a preliminary contract for the development of the three oilfields. "We still had many months of negotiations to go before coming to the final contract," said Mr Steven Bertram, financial director of Ramco Energy, which is also involved in the project.

A group of eight western oil companies is involved in negotiations with the Azeri government over the oilfields which are believed to contain 4bn barrels of oil. They had paid $70m in preliminary payments which BP said yesterday was being held in an escrow account.

The companies had been talking separately over the development of each individual oilfield, but at the beginning of June the Azeris said they wanted the fields to be linked in one development. Mr Bertram said: "There are indications the new government may prefer to reopen negotiations for individual fields."

Ramco's share price dropped by 36p yesterday to 120p on news of the disruption to the oil talks. But Mr Bertram said it is still four times the price it was last October when the group first announced its involvement in Azerbaijan.

Mr Thane Gustafson, an observer of the Russian energy scene at Cambridge Energy Research Associates, sounded a note of caution over the oil talks, saying that any government of Azerbaijan will be unstable until the war with Armenia over Nagorno Karabkh is resolved. "I think it will take more than a couple of weeks to get back to the negotiating table," he said.

Serbs and Croats near to agreement on division of Bosnia

Pressure mounts on Izetbegovic

By Robert Mauthner in London, Laura Silber in Belgrade and agencies

MEMBERS of Bosnia's multi-ethnic presidency will try to persuade their current head, Mr Alija Izetbegovic, to rejoin negotiations on the latest Serbian-Croatian peace plan for Bosnia when they meet in the capital, Sarajevo, later this week.

Mr Izetbegovic, together with Mr Ejup Ganic, his vice-president, have so far boycotted the talks on the proposed division of the country into a confederation of three ethnic mini-states, which Mr Izetbegovic has condemned as tantamount to genocide for the Moslems.

They were again absent from the talks in Geneva yesterday, though the seven other members of the joint presidency – three Serbs, three Croats and one Moslem – were all present.

Mr Mile Akmadzic, the Bosnian Croat prime minister, said the meeting of the collective presidency – only its first full session since the Bosnian conflict broke out 15 months ago – would take place at Sarajevo airport on Wednesday or Thursday. The international mediators, Lord Owen and Mr Thorvald Stoltenberg, are hoping the new plan will at least guarantee the Moslems their own viable and secure geographical entity.

The Serbs and Croats are beginning to exert pressure on the Moslems for a speedy decision.

Mr Radovan Karadzic, the Bosnian Serb leader, said yesterday that Serbs and Croats were close to an "overall agreement" on Bosnia's ethnic division and urged Moslem leaders to return to the negotiating table. Speaking after talks with Mr Mate Boban, the Bosnian Croat leader, Mr Karadzic said the two sides had agreed on everything except a map of the three ethnic mini-states they are demanding.

"The only part that remained to be agreed is the map of the three republics and both Serbs and Croats are ready to form their own states," he said.

Earlier, Mr Karadzic had promised the Moslems nearly 30 per cent of Bosnia, but warned that Serbs and Croats would not hesitate to carve up the country between them if the Moslems did not negotiate. "If they fail to do so, Bosnia will in effect be split into two parts. Some of the Moslems will remain with us, while the Croats will get the others," he told the Yugoslav news agency, Tanjug, before leaving for Geneva.

Mr Karadzic has also reiterated demands for the partition of Sarajevo. Mr Karadzic's proposal to divide the battered capital would leave the Moslems an isolated sliver of territory at the mercy of Serb guns on the surrounding hills. This clarifies an offer made last week in which it appeared that the Serbs were willing to abandon Sarajevo, which they have pounded for 15 months, in exchange for Gorazde and Srebrenica, two UN-designated Moslem "safe areas" in eastern Bosnia.

Yesterday, Serb and Croat forces stepped up their military pressure on the Moslems in northern and central Bosnia by launching an offensive in a triangle of land around the towns of Maglaj, Zavidovici and Zepce, some 80km north of Sarajevo.


Bosnian Serb soldiers display weapons captured in Brcko seized from Moslem forces in recent fighting. Yesterday, Serb and Croat forces stepped up their military pressure on the Moslems in northern and central Bosnia.

UN chief snubs Sweden over new commander of peacekeeping force

By Michael Littlejohns, UN Correspondent, in New York

THE United Nations secretary general, Mr Boutros Boutros Ghali, has offended Sweden, perhaps the world organisation's most loyal supporter, by replacing the Swedish commander of peacekeeping forces in Bosnia with a French officer, without first consulting Stockholm.

The nomination of General Jean Cot to succeed Lt General Lars-Eric Wahlgren, effective on July 1, was confirmed by the Security Council in an exchange of letters made public yesterday.

But Mr Peter Osvald, Sweden's UN delegate, complained that Mr Boutros Ghali made his decision without bothering to advise in advance either the Swedish government or Gen Wahlgren, an officer with a distinguished career in UN peacekeeping, in Lebanon as well as the Balkans.

It appears that the secretary general also neglected to inform the troop-contributing countries other than France, with whom he arranged the transfer of command during a visit to Paris last week.

Gen Wahlgren had been commander only since March.

The manner of his replacement is especially embarrassing to the Swedish parliament, which only recently approved the dispatch of 1,000 Swedish troops to Bosnia.

It was not known whether they would be for general peacekeeping duty or deployment in Moslem "safe areas" that are badly in need of United Nations forces.

In any event, the change of command could delay their arrival.

Mr Osvald said it was "disquieting" when an important contributor could not count on being consulted in advance of an important decision.

France is the biggest provider of troops to the 23,000-strong UN force, with 5,000 soldiers in the field and a further 800 promised.

French Lt Gen Philipe Morillon, who became something of a hero for defying the Serbs to escort humanitarian aid to the beleaguered Moslems, is also being replaced.

His successor has not yet been named.

● The possibility that UN peacekeeping operations in former Yugoslavia might be terminated in the absence of an early political settlement was raised in a report to the Security Council last night.

In recommending in the written document that the UN force mandate be extended for only three months, to September 30, Mr Boutros Ghali emphasised that its deployment embodied an international will for settlement.

If the parties involved in the conflict failed to demonstrate that commitment to a settlement, it would not be worthwhile to use the UN's limited resources to maintain an operation "where it had become clear there was no peace to keep".

IMF ready to agree Russian reform aid

By Charles Leadbeater in Tokyo

THE International Monetary Fund is this week expected to agree to grant Russia the first stage of a $3bn (£2bn) lending facility, in the first large wave of international financial assistance to promote economic reform.

The so-called systemic transformation facility is being prepared so it can be agreed before next week's summit in Tokyo of the Group of Seven leading industrialised states.

It is thought the IMF board will meet in the next few days to grant the facility, which would form the centrepiece of the summit's commitment to help promote Russian reform.

The pressure on the IMF to agree it has been increased by the stiff opposition to a US proposal to set up a $4bn fund to help the privatisation of big state-owned enterprises in Russia. G7 officials say a much smaller fund, close to $500m, is being discussed as a face-saving measure to satisfy the US administration.

The systemic transformation facility was one of the most important measures agreed at an April meeting of G7 foreign and finance ministers in Tokyo. They decided then that it should be available in two tranches of $1.5bn.

It is conditional upon Russia delivering to the IMF credible promises that it will tackle inflation, restrict credit to ailing enterprises and reduce its budget deficit.

G7 finance ministers hope this will help jump-start economic stabilisation in Russia and so make it easier for Russia to draw upon two further IMF facilities worth about $10bn.

Estonia leader puts citizenship law on hold

By John Lloyd in Moscow

ESTONIA'S president has backed away from a confrontation with Russia by refusing to ratify a citizenship law which the country's large Russian minority claims discriminates against them.

Mr Andrei Kozyrev, Russia's foreign minister, threatened to halt all oil and gas deliveries to Estonia if it continued "apartheid and ethnic cleansing in kid gloves".

Mr Lennart Meri said yesterday he would refer the law to the Council of Europe and the Conference on Security and Co-operation in Europe for expert opinion.

NEWS IN BRIEF

German left-wing terrorists warned

GERMANY will continue the fight against terrorism, following the arrest of a prominent member of the Red Army Faction, the interior ministry said yesterday, writes Judy Dempsey in Berlin.

The arrest of Ms Birgit Hogefeld, a prominent member of the RAF left-wing terrorist group, and the shooting dead of Mr Wolfgang Grams by the anti-terrorist unit, is a welcome boost for security forces.

The arrest of Ms Hogefeld took place on Sunday night in the eastern state of Mecklenburg-Vorpommern. A police officer was shot dead during a shoot out.

The guerrilla movement, which was set up in the 1970s, was virtually dormant in the 1980s but re-emerged after the unification of the two Germanys in 1990.

It was responsible for murdering Hans-Martin Schleyer, president of west Germany's employers' federation in 1977, and Mr Detlev Rohwedder, who was head of the Treuhand, the agency charged with restructuring and privatising eastern German industry.

Telecom deal faces EC review

The European Commission said yesterday it was reviewing plans by France Telecom and Deutsche Bundespost Telekom (DBP-T) to create a joint venture to operate international corporate networks for private users, Reuter reports from Brussels.

The Commission said the deal had been submitted for review on June 3 under a European Community regulation prohibiting agreements and concerted practices which restrict competition in the EC. There is no deadline to clear or open an inquiry if the Commission is worried about the impact on competition.

Iceland forced to devalue krona

Iceland yesterday devalued the krona, by 7.5 per cent, the country's second devaluation in eight months, writes Christopher Brown-Humes in Stockholm.

The move follows a sharp fall in fish prices this year and a government decision to limit the country's cod catch in the face of declining stocks. The Icelandic economy is heavily dependent on fishing, with cod accounting for 30 per cent of exports. Cutting the cod quota by 40,000 tons to 165,000 tons for the year starting September 1 will bring down the country's total annual fish catch by 6 per cent. The devaluation is relative to a currency basket, in which the European currency unit has a 76 per cent weighting, the dollar 18 per cent, and the yen 6 per cent.

Romanian land curbs to stay

The Romanian parliament has rejected an amendment to the foreign investment law which would have clarified that foreign companies may own land in Romania, writes Virginia Marsh in Bucharest.

Parliament did, however, accept an article allowing foreign companies to repatriate profits in full, removing the previous annual limit of between 8 per cent and 15 per cent.

The Romanian Development Agency (RDA), the state body for foreign investment, said parliament's decision would not affect investments made in the past three years.

Bulgarian technocrats display their political prowess

The non-partisan cabinet of Lyuben Berov has survived against all the odds, writes Virginia Marsh

BULGARIA'S political prospects have brightened after the government of non-party technocrats managed to beat off an aggressive opposition campaign for early elections by surviving a critical parliamentary confidence vote.

The strength of the voting last week – 126 to 84 in favour of the reshuffled cabinet – was unexpected in view of the highly vocal opposition in parliament to the six-month-old government and its low ratings in opinion polls. The vote of confidence marks a significant setback for the anti-communist Union of Democratic Forces (UDF), the country's main opposition group.

In recent weeks the UDF, whose year-old coalition government collapsed last October after falling out with its political partners, has frequently called its supporters on to the streets in an attempt to pressure President Zhelyu Zhelev into calling fresh elections.

The UDF hoped that the same anti-communist slogans which propelled it to power in 1991 could once again mobilise strong support in the country. But with most Bulgarians more concerned about the prospect of another year of severe economic recession than about party politics, only hardcore UDF supporters, mainly in Sofia, responded.

Many former UDF supporters have been alienated by the party's bitter attacks on its former leader, President Zhelev, who is by far the country's most popular politician. The president himself says that an unforeseen result of the UDF's anti-government campaign has been to increase support for the Bulgarian Socialist party (BSP), the former Communist party.

The UDF leadership's radical stance has also split the party and contributed to the formation of a new centrist group in parliament. This includes 23 MPs who broke away from the UDF. The centrists showed in last Friday's vote that they are prepared to co-operate with the socialists and the much smaller Movement for Rights and Freedom (the party which represents Bulgaria's ethnic Turk minority) in supporting the government.

Centrist group votes were also on hand earlier this month to help push through the 1993 budget with a two-thirds majority after three months of often heated discussion. The vote ratified the government's efforts to keep the budget deficit to a ceiling of 7.9 per cent of GDP in the face of demands for higher spending on social security and subsidies.

The political situation remains far from settled, however, with further splits in both the UDF and BSP expected. "The situation is in ferment, many changes are still taking place. The centre has not yet crystallised," Mr Zhelev says.

This leaves the government, a cabinet of non-partisan technocrats led by Mr Lyuben Berov, a 67-year-old former university professor, without firm support from any of the main political parties. It will therefore remain difficult for it to move ahead with privatisation and push through laws needed for economic reform.

The privatisation agency has only just completed its first large transaction, the sale of a maize-processing plant to a Belgian company, Amylum, for $20m (£13.3m), and claims that several other projects are well advanced. But western advisers say there is still a lack of consensus within the government over how best to speed the process and over which of several rival mass privatisation schemes to adopt. Similarly, only slow progress is being made to fulfil IMF requirements for the signing of a new stand-by agreement to replace the previous arrangement which expired in March.

One critical area is the need for greater financial discipline in the state-owned companies. State-owned enterprises owe an estimated $2bn to the banks and to one another. The delay in tackling this problem is blocking privatisation by prolonging the life of unprofitable companies and contributing to the 75 per cent annual inflation rate.

The IMF and the World Bank both want to see headway in introducing bankruptcy and tax reform laws and tough new banking regulations before releasing further credits.

Their views are listened to because the support of the big international institutions is required both to give much needed technical assistance and to help finance a future debt settlement with the London Club of commercial bank creditors.

At the latest London Club meeting in Frankfurt, two weeks ago, the two sides edged closer to an agreement, according to Ms Mariana Todorova, Bulgaria's debt negotiator.

The Bulgarian side has dropped its original demand for a 70 per cent debt reduction to 50 per cent. It has also offered to make an upfront settlement of $750m on its $11bn debt.

The banks on the other hand are seeking to limit the debt write-off to 38 per cent and are seeking repayments of around $400m a year. This contrasts with the $250m which the Bulgarian side claims is the most it can afford.

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COMPUTER NETWORKING

The growth of applications running on "client-server" networks amounts to a second computer revolution. Low-cost hardware and sophisticated software have opened the way, while calls for greater business productivity are the spur, writes **Alan Cane**

One stop that does it all

It is being described as the second computer revolution, the most profound shift in the pattern of use of information technology since the advent of mainframe systems in the 1950s.

Computers and telecommunications are merging to allow the creation of IT networks that are narrow enough to serve a single department in a corporation or as broad as a global enterprise. The key development is the growth of applications running on "client-server" networks, workstations and larger computers linked together to process data co-operatively. This has been made possible by improved local and wide-area communications and cheaper processing power and memory on small computers.

Among the moves that suppliers are making which indicate that the networking revolution is fully under way are:

- Microsoft, the world's largest personal computer software house, this year launched Windows NT, its next generation operating system. Windows NT, a large and complex piece of software, is the first Microsoft operating system designed for enterprise-wide computing. It competes not only with International Business Machines' OS/2 personal computer operating system, but also with MVS, IBM's flagship mainframe operating system.
- Novell, the local area network (Lan) software supplier, acquired Unix Systems Laboratories last year and forged an alliance with the database vendor Oracle this year, in moves to consolidate the position of both companies and fight the challenge from Windows NT.
- Most significant of all, IBM, the stumbling giant of the computer industry, established a client-server business unit, a startling change of direction for a company whose business success has been based on centralised mainframes.

There are equally significant moves on the telecommunications side of the fence. The world's large carriers are increasingly concerned to offer their large customers "one stop" shopping in voice and data communications. The range of activity is broad. AT&T of the US, for example, is involved in the development of "personal digital assistants". These inexpensive, hand-held devices combine the functions of a telephone, computer, facsimile machine and electronic organiser.

The scene is thus being set for a business environment where corporate information is readily available to executives either in the office or on the move.

Wireless communications is enjoying a new vogue. According to CSC Index, a leading US IT consultancy, "wireless communications is a technology in which global players are making multi-billion dollar investments and forming cross-industry alliances". It says that cellular radio carriers in the US alone have made more than $10bn in capital investments since 1984.

The business logic derives from the "Negroponte Switch", the observation by Prof Nicholas Negroponte of the MIT Media Laboratory that communications to people on the move should shift to wireless means, leaving television and other transmissions to fixed targets to cables in the ground.

Olivetti of Italy has already announced a system for connecting personal computers using radio frequencies rather than cables.

It is clear, therefore, that the scope of networking has changed over the past decade. In earlier days the emphasis would have been on linking mainframes and on standards contests such as the battle between IBM's Systems Network Architecture and the world standards organisations' Open Systems Interconnect.

Today the emphasis is on effectiveness; what makes the revolution possible is a combination of low-cost computer hardware and sophisticated software; what makes it necessary is a universal demand for greater business productivity and competitiveness.

An example is Equipment et Composants pour L'Industrie Automobile (ECIA), which is majority owned by Peugeot of France. It has established a pan-European network of 10 sites running the IBM mid-range AS/400 system.

The network runs on IBM's SNA rules and is driven by an IBM mainframe based at Audincourt near Paris. It is part of a ECIA project called "Parler le Meme Langage (Pamela)" which is being built to ensure that all parts of the group work in the same way with standardised information and with objectives and results which can be compared on the same basis. The key element is a package called Data 3, manufacturing resources planning software written by Hoskyns, the UK arm of Cap Gemini Sogeti of France.

Mr William McGilvray, supply manager at ECIA subsidiary HPC of Coventry, explains: "Under the old system, top management could not have looked at the 1992 devaluation of sterling and said: 'Let's put more work into the UK because costs are lower there'. Now comparisons of this kind can be made quickly and objectively." Other motor manufacturers are installing similar aids to productivity.

Why has computer networking assumed this new significance? The starting point is today's business environment. Customers are demanding better and more flexible service. They expect shorter lead times, improved quality and responsiveness. IT networking, through electronic data interchange (EDI), computer aided engineering (CAE) or group working can provide the means of fast and flexible response.

The computer industry has been quick to coin expressions to describe the essential features of the revolution: "downsizing" – moving applications from mainframe systems to less expensive but no less powerful microprocessor based computers; "client-server computing" – processing data on networks of computers, some of which provide computing or data services to the network, the rest serving as workstations; "co-operative computing" where the network functions as a single processing unit.

Among the companies which are helping to shape the new communications worlds are, at the personal computer level, network operating system supplier Novell, the market leader with NetWare version 4.0, Microsoft and Banyan. At the local area network level, fast-growing hardware companies Cisco and 3Com as well as Ungermann-Bass provide the essential hubs and routers for network interconnection while suppliers of wide area networks include the telecommunications companies AT&T and BT. At the systems level computer hardware and software vendors include IBM, Digital Equipment, Hewlett-Packard, Sun Microsystems and Bull.

The aim of networking is simple: to enable computer users to have access to information, applications software and computing resources without needing to know where any of these are located. But there are dangers, not least of which is the comparative novelty of the technology.

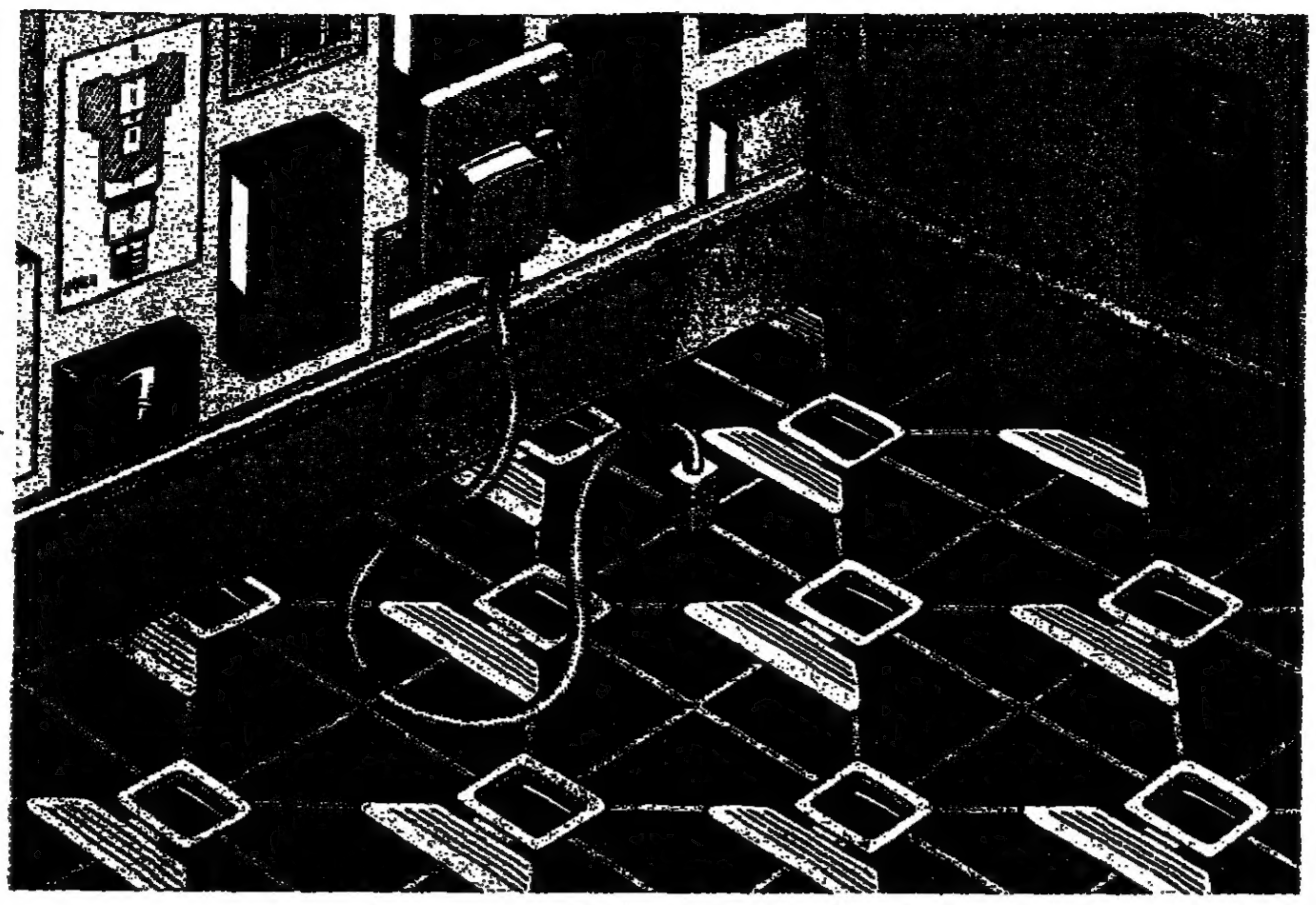
Prof Stephen Bradley of Harvard Business School sounded a powerful warning recently: "Competitors may invest first without fully understanding the strategic implications or evaluating the financial impact of their investment, and other firms may copy these investments lest they be left behind in a rapidly changing industry", he wrote, arguing that many companies were investing heavily in IT networking in the forlorn hope of gaining significant advantages. "Most firms", he concluded, "do not realise a competitive advantage from their investments and those that do find it difficult to sustain."

It is a damning judgment, but it echoes the concerns that managers have frequently expressed over the difficulty of justifying investment in IT. The answer, according to Prof Bradley, is to assess spending on IT and telecommunications as part of a coherent business strategy; to view it as a strategic necessity rather than an attempt to gain sustainable competitive advantage.

Putting networks together is, in practice, hard work and the larger the network, the more complex the problems. To judge from the enthusiasm with which networks are being installed, the rewards seem worth the risk. According to Mr Peter Wright, European director of Dell Computer's integrated systems division, the number of personal computer local area networks (PC Lans) grew by 33 per cent last year to 780,000. He says the principal aim is not to save money through downsizing, but to gain greater efficiencies in all parts of the business. In short, it is the essential underpinning for business process re-engineering, today's shorthand for rethinking a business from the bottom up.

With the growth of networking, the problems of network management have expanded. It is now the single greatest concern of IT managers in larger companies. The London consultancy Ovum forecasts that the market for management frameworks will be worth nearly $900m in the US and Europe by 1998.

Today, the concern is to manage a broad range of communications and computing devices from a variety of suppliers distributed over many sites. The more aware organisations are already looking beyond that to ways of managing business applications – software that supports practical business processes – across a diversity of networking technologies.



IN THIS SURVEY

Editorial production Gabriel Bowman
Colour illustration Robin MacFarlan

Wellcome's shares hit by recommendation

US agency stiffens guidelines for AZT

By Paul Abrahams

ADDITIONAL guidelines for the use of AZT, the most widely used drug to treat HIV and Aids, have been submitted by the US National Institutes of Health.

The influential agency recommended that doctors and patients not showing symptoms (asymptomatic) should decide between them whether to start using the therapy. Previously it had advised all patients with HIV to take the drug as soon as white blood cells in the immune system, called CD4 cells, fell to about half the normal level.

Dr Anthony Fauci, director of the National Institute of Allergy and Infectious Diseases and a leading Aids researcher, said: "The option of not treating is a viable option." He added that the drug remained the first line of defence against the disease.

The recommendations follow an Anglo-French study presented at the annual Aids conference this month, suggesting the drug, Wellcome's second best-selling medicine, might be of limited use in asymptomatic patients.

Dr Trevor Jones, Wellcome's research and development officer, said: "I would have preferred that they just continued to endorse the existing guidelines rather than add these caveats, but it does confirm the utility of the drug in asymptomatic patients." Wellcome estimated between 10 per cent and 15 per cent of those on AZT were asymptomatic.

The drug had sales of £131m in the six months to February 1993. AZT's worldwide sales were £213m in 1991-92, representing 12.5 per cent of group turnover.

Wellcome's shares fell 10p to 688p yesterday on the news. The fall was exacerbated by concerns over a court case involving AZT's patents which started yesterday between Wellcome and two US generics companies, Barr Laboratories and Novopharm.

The American companies argue the drug was co-developed for treating Aids by US government scientists, and that the British group should not hold exclusive rights. They want to supply the drug at far lower prices than Wellcome.

The patents are due to expire in 2005.

UK-based analysts said the company's shares were likely to remain volatile during the six- to eight-week trial, which is being held before a jury in New Bern, North Carolina.

"Based on the science, Wellcome should win," said Mr Paul Woodhouse, analyst at Smith New Court. "But it is in front of a jury and Aids and AZT are emotive issues.

"If Wellcome loses, the inevitable appeal will be held in front of a judge, and sanity should prevail."

Now private is preferred in Peru

Fujimori's pension reform and state sector sell-off prove popular, writes Sally Bowen

THE advertising slogan for Peru's new private pension funds, which started operating last Monday, runs: "The future is in good hands – your own."

It neatly summarises the philosophy of Peru's liberalising government of President Alberto Fujimori. After decades of state control and protectionism, the pendulum has swung dramatically the other way. Privatisation and foreign investment is touted as the panacea for all economic ills – , even those of Peru's traditionally militant leftist workers who are still unionised largely support the move.

Acceptance of the private sector as the dynamo of the economy has been assisted by widespread popular disgust at long-standing inefficiency and corruption in almost all state-run activities.

Opinion polls show a steady 50 to 60 per cent support for privatisation, while almost a third of workers say they expect to transfer their state pension to the new, private pension funds, AFPs, closely modelled on the successful Chilean experience. In setting up the AFPs, with a minimum of red tape and political opposition, Peru is again in the Latin American vanguard.

About 300,000 retired workers depend on the Peruvian state for their pensions. They receive the equivalent of a wretched $90 a month from their lifetime's contributions – and their plight worsens each year. The new, voluntary scheme aims to provide both a better retirement pension on an individual capitalisation basis and boost Peru's underdeveloped capital markets.

About 2m Peruvians affiliated to IPSS, the state social security scheme, are now free to transfer their contributions to privately-managed funds. The state will issue a bond to each contributor who chooses to opt out, its value simply calculated on the basis of age and recent earnings.

Workers who switch will contribute 10 per cent of monthly earnings, compensated by a one-time wage increase. Older workers will do better, say experts, to stick with the IPSS system which, the government guarantees, will continue to pay out for their lifetimes.

Five AFPs have been authorised by the newly-designated regulatory body and three more are being vetted. International insurance and banking concerns such as Aetna, Citibank, and the well-established Chilean AFPs Habitat and Provida, are participating.

The level of interest suggests there are profits to be made in AFPs – although Mr Enrique Diaz, the AFP's technical superintendent says start-up costs for an AFP are high (up to $8m, including publicity) and could take four years to recover. Between 800,000 and 1.2m Peruvians are expected to affiliate to AFPs in the first year, generating anything between $150m and $350m in capital.

It is not yet clear where funds will be invested. In the early months, the lion's share is likely to go into term deposits in the Peruvian banking system. The Central Reserve Bank, in association with the AFP superintendency, has the last word on investments but it seems private funds will at first be permitted to place only a tiny percentage in Lima's stock market.

"But the percentages established and the permitted instruments will be under constant revision," says Mr Diaz. "The idea is to be very dynamic and respond as new instruments appear."

Mr Diaz hopes the central bank and, later, the government will issue bonds. But the medium-term expectation is that the existence of AFPs will encourage Peruvian companies to raise capital via primary bond and stock issues, thus providing much-needed medium and long-term finance for industry.

Meanwhile, if all goes to plan, a substantial portion of Peru's big public sector companies will also be privatised this year. Privatisation is moving farther and faster in Peru than in any other Latin American country. Copri, the government privatisation office, is estimating the treasury will net between $1.4bn and $1.6bn from sales this year alone. When the Fujimori regime took office in 1990, the state sector was costing the country about $2.5bn a year.

Mr Fujimori has decreed there are no longer any "strategic" sectors of the economy, to be reserved for Peruvian nationals – the country's mineral resources, oil and gas, drinking water and sewage, electricity and telephones are all on offer to the private sector.

Among the state-owned companies due for sale before the end of the year are the mining and refining units of Centromin and Mineroperu; 20 fishmeal plants belonging to Pesca Peru; the state telecommunication company Entel and the state holding in CPT, Lima's telephone company; plus the distribution networks of Electrolima and Electroperu.

Most of the evaluation and promotion work has been allocated by tender to international consultants and investment banks. Coopers and Lybrand, Price Waterhouse, Morgan Grenfell, First Boston, Chase Manhattan and Bankers Trust have all carved niches for themselves in Peru's privatisation process.

Court questions redrawing of voting districts

By Jurek Martin in Washington

THE US Supreme Court yesterday called into question the redrawing of congressional electoral boundaries so as to ensure greater representation for minorities.

Justice Sandra Day O'Connor, writing for the 5-4 majority, said "racial classifications of any sort pose the risk of lasting harm to our society". Racial gerrymandering, even for remedial purposes, demanded close judicial scrutiny, she said.

The court, which earlier this year had ruled that the creation of minority districts did not violate the 1965 Voting Rights Act, sent back to the lower federal courts a challenge brought by five white voters in North Carolina who claimed they had suffered discrimination as a result of redrawing of electoral districts by the state legislature in 1991.

Justice O'Connor did not uphold this claim per se, but advised that such reapportionment should not be so "irrational that it can be understood only as an effort to segregate voters... because of their race". One of the two new North Carolina districts has a bizarre 160-mile elongated shape.

Last year's elections saw contests in more than 20 new districts nationwide with black or Hispanic majorities. As a result 13 new black and six new Hispanic members of congress were returned, bringing total representation to a record 38 blacks and 17 Hispanics in the House.

Both new North Carolina seats elected blacks.

The change reflected new data in the 1990 national census and was urged on the states by the Justice Department, which has the responsibility to clear in advance any redistricting in North Carolina.

The question of minority representation was thrown into sharp relief recently when President Bill Clinton withdrew the nomination of Ms Lani Guinier to run the Justice Department's civil rights division. Ms Guinier, a law professor, had written that in certain circumstances weighted voting in favour of minorities might be warranted.

The fine division on this case underlines how evenly the court is now balanced.

Of the three pivotal moderates, Justice Anthony Kennedy joined Justice O'Connor in the conservative majority while Justice David Souter was among the dissenters. So was Justice Byron White, who retires this summer and who is due to be replaced, pending Senate confirmation, by Judge Ruth Bader Ginsburg, Mr Clinton's nominee.

Carlos Menem: Washington alliance brings advantages

Menem awaits Clinton rewards

By John Barham in Buenos Aires

US President Bill Clinton will meet Argentina's President Carlos Menem today in an encounter that the Argentine government hopes will underline its growing importance in Washington's policy toward Latin America.

Since Mr Menem abandoned Argentina's century-old anti-Americanism when he came to power four years ago, his new alliance with Washington has brought important advantages.

US support in international financial organisations accelerated Argentine economic reforms. This in turn has encouraged US inward investment: the US is the second largest foreign investor in Argentina's $9bn (£6bn) privatisation programme.

The government's successful adoption of market policies, its willingness to abandon strategic weapons projects and submit to international nuclear and missile technology safeguards are genuinely appreciated in Washington.

The US is anxious to encourage Argentina as an example of good behaviour for other developing countries. The Clinton administration has regularly mentioned Argentina – along with Chile and Venezuela – as being prime candidates for accession to the North American Free Trade Agreement which may be ratified this year between the US, Canada and Mexico.

Argentina's Foreign Ministry is euphoric over the warmth of relations with Washington. One official said: "Mexico has entered the North American orbit and therefore has lost value as a Latin interlocutor. The US needs a valid interlocutor and it has made its choice. Argentina is democratic, the economy is booming and [we] have enormous influence in the hemisphere."

Some observers in Buenos Aires think this may be going too far. Mr Carlos Escude, a former government adviser, warned: "The US has taken the substance of Menem's policies seriously. Many of his policies cannot be easily reversed. But we must keep clear that Argentina is not an important country for the US. Not only are we distant, but we have a competing economy and have less to offer than Mexico, Brazil or Venezuela."

Washington has already disabused Buenos Aires of any illusions that it can expect big trade privileges. Last week, the US announced countervailing duties on Argentine steel exports and said it was increasing its exports of subsidised grains – a market in which Argentina competes with the US.

Trade will figure high on the agenda and inevitably, dialogue will be one-sided. The US will demand passage of patent and intellectual property legislation and removal of non-tariff trade barriers.

Argentina will ask the US to stop exporting subsidised grains. Agricultural exports account for 70 per cent of Argentina's export revenues. It will also ask for better access to US markets for manufactured and agricultural products like leather.

The Argentine president will also repeat demands that Washington keep its promises to sell two squadrons of second-hand A4 Skyhawk fighter bombers.

Axe hangs over military bases

By George Graham in Washington

AN INDEPENDENT commission finished work at the weekend on a list of US military bases to be closed to bring the Pentagon's facilities into line with its force structure.

The commission proposes shutting some of the US's largest and oldest naval bases, such as the Charleston naval station and shipyard in South Carolina and the Alameda naval air station and Mare Island shipyard in San Francisco bay.

The commission was originally established because Congress found it so difficult to shut any of the country's military bases – one of the main mechanisms through which US government money is pumped into the constituencies of powerful legislators.

The commission, supposedly more hard-hearted and less emotional than Congress, has spent weeks mulling over an original list of base closures submitted by the Pentagon.

But individual members of the commission – chaired by Mr James Courter, a former congressman – often found the process tough; one commissioner found himself voting to close the naval base in whose chapel he was married.

The list of bases to be closed must now be approved by President Bill Clinton and Congress, but the commission's recommendations cannot be tinkered with. The US has already shut more than 700 military installations overseas, mostly in Europe.

The US Navy will undergo the most radical changes as a result of the proposed base closures. The shutdown of most of the Charleston facilities will leave it concentrated in one big shipyard on each coast – San Diego in California and Norfolk in Virginia.

The commission agreed for the most part with the Navy's own recommendations, after considering and rejecting the possibility of closing Norfolk instead of Charleston.

Both Norfolk and San Diego will, however, lose jobs with the closure of training and aircraft maintenance depots.

Studies show that communities have in the past often been able to create more jobs than they lost by converting bases to civil airports or industrial parks.

Tate & Lyle plant locks out workers

By Maggie Urry in London and Nikki Tait in New York

A E STALEY, the US subsidiary of Britain's Tate & Lyle, has locked out workers at its Decatur, Illinois, corn-milling plant, where a contract dispute with about 800 members of the Allied Industrial Workers' Union has been continuing since September.

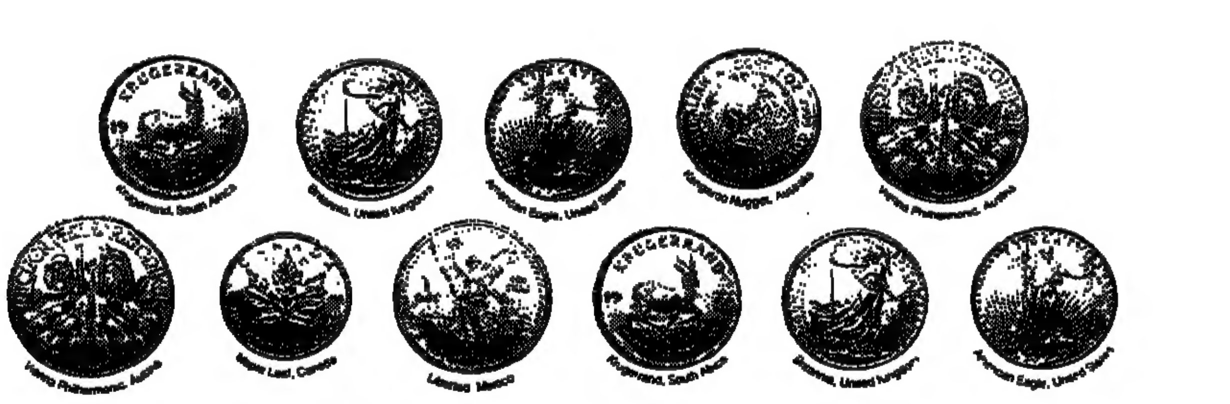
Tate said that management "has been forced to begin a lockout of hourly employees" after "environmental problems arising from the union's in-plant strategy". The company alleged that workers had been putting waste from the process into the drainage system, causing problems for the local sewerage authority.

"That's just an accusation," retorted the AIW. It claims that, with regular employees working to rule, management failed to maintain environmental standards.

The lockout brings to a head a simmering dispute over a new contract at the plant, which the AIW rejects and which management has attempted to impose unilaterally.

An earlier lockout at the plant ended within 24 hours, but this time both sides were expecting a long fight. Tate said production was being maintained by salaried staff, although there was speculation that it planned to bring in temporary replacement workers. The union, meanwhile, plans a series of demonstrations, and is renewing calls for a boycott of Tate's Domino brand sugar.

The Staley dispute has attracted widespread attention, partly because it is near Peoria, where unions and management at Caterpillar fought a furious labour battle last year. Over the weekend workers formed a chain between Staley and Caterpillar plants.



Japanese parties promise more of the same

Recent political upheavals may prove to be just cosmetic, writes **Charles Leadbeater**

JAPAN'S socialist opposition parties, rather than the ruling Liberal Democratic party, could emerge as the big losers from the country's political turmoil. The main gainers will be a new breed of conservative parties, chief among them the recently formed Japan New party, which will draw away independent voters in urban areas who have reluctantly voted socialist in the past.

The emergence of modernising conservative parties, in part formed by splits in the LDP's ranks, may put a cap on the ruling party's vote in urban areas, but LDP support will not collapse.

Those are the main messages of closely watched Tokyo metropolitan elections over the weekend, which suggest the 18-months old JNP could hold the balance of power after the general election due on July 18.

The JNP, which ran 22 candidates in the Tokyo assembly elections, won 20 seats, an increase of 18. The Social Democratic party, the main opposition party, lost 18 of its 32 seats, while the LDP increased its standing by two seats to 44.

THE Tokyo stock market rose 1.2 per cent yesterday and the yen strengthened against the dollar, following Tokyo council elections at the weekend. In the polls the ruling Liberal Democratic party held its own in the face of predictions that it could lose power in a general election on July 18, writes Charles Leadbeater in Tokyo.

The dollar finished the day in Tokyo at Y106, down Y0.35, while the Nikkei average rose 227.19 points to close at 19,886.76, largely in response to the LDP's solid showing.

The Japan New party, which was the main gainer in the Tokyo poll, announced it would be fielding up to 70 candidates in the general election. The party is aiming to hold the balance of power in a hung parliament.

The LDP's weakness, in spite of its Tokyo showing, was underlined by the party's announcement that it would field 282 candidates, the smallest ever team in a lower house election.

The list means it is almost certain that the party will not win the 275 seats it held before the lower house of the parliament was dissolved 10 days ago and 48 LDP lower house members defected to set up rival parties or to run as independents.

The question is: will the JNP be more than just a passing fashion ?

Its articulate founder, the 55-year old Mr Morihiro Hosokawa, says he aims for a "power shift" in Japanese politics. He admits the new party will be stifled if it does not succeed quickly. He explains: "We have a year. If our party does not make a secure footing within a power shift our popularity will drop."

Yet even if the JNP retains its popularity it is difficult to predict its influence on Japanese policy, largely because Mr Hosokawa has refrained from specific commitments. His aristocratic background is far from revolutionary. His family have been lords of a feudal clan for more than 600 years. When he entered politics in 1971 his haughtiness won him the nickname Lord Hosokawa.

He served in senior positions for the LDP before becoming governor of his native Kumamoto prefecture in 1983. He resigned in 1991 when it seemed the LDP would support him to become governor of Tokyo. The LDP did not deliver and the subsequent launch of the JNP is widely thought to reflect his personal bitterness rather than fundamental policy disagreements with the LDP.

Indeed, he recently told an magazine interviewer that Mr Kiichi Miyazawa, prime minister, was someone with whom he could form a coalition government.

Nor is Mr Hosokawa entirely free from hints of scandal. He has admitted accepting political donations from the Sagawa Kyubin transport group, which has become a byword for political corruption in Japan.

In spite of this, Mr Hosokawa has managed to create a clean image for the JNP which attracts younger voters.

The JNP's success has not just exposed the socialist's vulnerability and the limits to the LDP's support in urban areas. It also poses a dilemma for Mr Tsutomu Hata, the leader of Shinseito, the 44-strong group which defected from the LDP last week in the name of political reform.

Mr Hata moved swiftly to ally with the Social Democratic party. But JNP's success has made the socialist opposition seem weak and backward-looking, qualities which the reformists in Shinseito want to avoid association with. Mr Hata's alliance with the ailing socialists seems to many voters to smack of old-fashioned opportunism rather than radical reformism.

For all the recent upheaval, which started with Mr Miyazawa's defeat in a no-confidence motion, one thing has not changed: even the reformers are so afraid of antagonising special interest groups that they refrain from proposing clear and potentially controversial policies. There has been a huge upheaval in party labels, but not in policies.

As a senior Finance Ministry official explained: "The extent of the change has been overestimated. The parties are changing but unless this produces different policies for the government there will be little change and at the moment no one is offering any new policies."

Action to cut surplus 'would stoke up inflation'

By Charles Leadbeater in Tokyo

ANY ATTEMPT to meet demands from Washington for a rapid reduction in Japan's current account surplus would be unsustainable, as it would stoke up inflation in Japan, a senior Bank of Japan official warned yesterday.

The official warned that a large part of the current account surplus was structural and so would not be rapidly reduced by higher growth in Japan to suck in imports.

An attempt to cut this structural surplus by using macro-economic policies would simply fuel inflation, the BoJ official explained.

His comments imply that the Bank of Japan would probably tighten monetary by raising interest rates if it thought public spending was being relaxed too far to meet US demands for higher growth.

His comments came after Mr Lawrence Summers, the US treasury undersecretary for international affairs, called in a speech to Japanese business leaders on Friday for Japan to cut the surplus to about 1.5 per cent of gross national product (GNP) over the next three years.

The surplus is expected to reach about \$150bn (£102bn) this year, 3.5 per cent of gross national product.

The Bank of Japan official said: "If we stimulate the economy to cut the surplus to 1.5 per cent of GNP in the short run that would have a very adverse impact on prices. So we have to be very careful."

He added: "A rapid reduction in the surplus would be in no one's interests."

The official said a large part of the surplus was structural, in that it reflected the high level of saving for retirement pensions, as Japanese society is ageing rapidly.

The remainder was cyclical, a reflection of the slowdown in Japan's economy and its demand for imports.

Mr Summers argued that the goal of cutting the current account surplus to 1.5 per cent of GNP was acceptable because that was the average level of Japan's surplus over the past 20 years.

The BoJ official said that over the past decade the average level of the surplus had been higher because of higher savings for retirement.

As a result of this the structural component of the surplus had risen, he said.

South Africa and EC begin reconciliation

Philip Gawith on the shaping of post-sanctions relations

AS SOUTH Africa moves into the post-sanctions era, aid, trade and political relations are being shaped with *a crucial* partner – the European Community.

At a conference under way in Brussels both the European Commission and the South African government are laying out their stalls.

Notwithstanding the tortuous progress of constitutional negotiations, Community officials accept that a new South Africa is emerging, and they are determined to be an important player in the post-apartheid process.

There is already a substantial base of trade and investment relations to build on. Figures from the department of customs and excise show that in 1992 38.5 per cent, R46bn (£9.5bn) of a total R119.4bn visible trade, was with Europe. This compares with 34 per cent in 1985, before sanctions were implemented in earnest.

European countries also account for most of the foreign investment in South Africa. The most recent available figures from the Reserve Bank (end 1988) show that of the cumulative R70bn foreign investment in the country by individuals and corporations, about 50 per cent came from Europe.

The EC is also a significant donor to South Africa. The 1993 EC aid budget to South Africa is Ecu90m (£70.7m), its largest budget in Africa.

Diplomatic links between South Africa and the EC are less developed. There is no formal diplomatic treaty and the EC is not formally present in Pretoria other than to administer its aid programme. Upgrading these links is important to South Africa, however, as the imprimatur of full diplomatic relations will improve the climate for trade and investment.

Recent years have seen increasing efforts at diversification, mostly eastwards, of South Africa's trading links. Thus 20 per cent of South Africa's total trade in 1992 was with Asia, compared with 14.7 per cent in 1985. Taiwan has risen from nowhere to be one of South Africa's top 10 trading partners.

Among South Africa's priorities in talks with Brussels will be what sort of trade preferences it should seek from the EC, which could effect 20 per cent of exports, most notably those from labour-intensive agriculture.

The extent of preferences will depend on what sort of trading status South Africa is granted. *Although* a per capita annual income of about \$2,300 ranks it as an upper middle-income developing country, other indicators – such as infant mortality, literacy, and reliance on a few commodity exports – are associated more with developing countries.

At the conference yesterday Mr Chris Stals, governor of the South African Reserve (central) Bank, said South Africa should consider seeking developing country status. "I do not think that will decrease our credibility, but it will help us to develop the country much faster," he said.

His remarks, which were made in a personal capacity, echo the view on this issue held among others by Mr Nelson Mandela, African National Congress president.

At recent Gatt discussions in Geneva, however, Japan and the US gave notice that they would not support South Africa being given developing country status. It was advised to seek "economy in transition" status, such as has been given to various east European countries, which affords similar benefits granted to developing countries, but on a less permanent basis.

Europe accounts for most foreign investment in South Africa

Given this background, South Africa will probably try to negotiate some specially tailored package of preferences with the EC rather than try and join the *Lomé Convention*, a trade concession deal between a grouping of developing countries and industrialised countries.

The latter route would cause all sorts of complications, as Lomé's existing 80 members, all of whom are smaller and less developed than South Africa, would understandably oppose granting benefits to South Africa which, to some extent, would come at their expense. Included in this group are all of South Africa's neighbours.

The EC has already made clear that its policy towards South Africa will be premised on viewing South Africa as part of the southern Africa region.

Although there are growing ties between South Africa and its neighbours, the issue of how to integrate it into regional structures, such as the Southern African Development Community (SADC) and the Preferential Trade Area (PTA) is fraught with excessive expectations of what South Africa can do for the rest of the region and fears that it will dominate the others. South Africa accounts for about 75 per cent of regional gross domestic product.

Although the shape of future South Africa/EC relations *lies* mostly in the hands of Brussels – where the extent of any concessions will be decided – their success will be determined in Pretoria. For South Africa's future will ultimately turn on whether its politicians can create a favourable climate for investment. If they fail in that, the rest will count for little.

Attack deepens Baghdad mood of pessimism

By James Whittington in Baghdad

OUTSIDE one of the Baghdad houses flattened by stray US cruise missiles in the weekend attack on Iraq's intelligence agency, rubble was yesterday being used to fill a crater about 10 metres deep, while scraps of the culpable missile were carefully placed on a table outside for all to see.

Predictably the focus for the Iraqi government and its people is the civilian damage and casualties caused in the up-market Mansour district. At least three missiles careered off target in the residential area, killing six and wounding many others.

The air strike came as a surprise to most ordinary Iraqis but according to one of the few remaining western ambassadors in Baghdad, this was not the case for the Iraqi government.

US reconnaissance aircraft had been observed over the capital for two days before the attack. The Iraqi regime had also expected some kind of reprisal to be linked to the alleged plot to assassinate Mr George Bush on a visit to Kuwait in April. Although the Iraqis deny any involvement in the Kuwaiti-uncovered conspiracy, they realised early on what the accusations might lead to, the ambassador said.

The intelligence agency headquarters itself has been sealed off but the view from nearby suggests that at least two of the main buildings are beyond repair.

One side of the central 10-storey block of offices is on the verge of collapse, the floors forming a concertina. Next door, a six-storey building has had most of its roof blown away. But a nearby newly-built telecommunications tower remains intact.

Sensitivity of the site is underlined by the heavy military presence surrounding the buildings. Iraq's secret service, or *Mukhabarat*, is one of the most feared instruments of President Saddam Hussein's power.

After demonstrations and a state funeral for the civilian dead, yesterday was calm as people got on with surviving under burdensome economic sanctions.

Even the local press curtailed its usual bombastic denouncement of the Americans and their president which was the norm during the Bush years. Although a number of papers accused Washington of "forcing its hegemony over the region by criminal acts of terrorism", there were no savage personal attacks on President Bill Clinton.

But talk of western double standards compared to the situation in the former Yugoslavia is common. And some say that Mr Clinton is using Iraq to show that he does possess some muscle when it comes to foreign policy. But hopelessness and apathy prevail. "The people's feelings are dead. They've suffered too much," one Iraqi explained.

Foreign diplomats go further. They say that since Mr Clinton took power they have noticed a greater sense of pessimism and despair among the Iraqis. Many had hoped in vain that there would be an easing of sanctions.

Apart from this, there is one factor which the Iraqis find more difficult to swallow than anything else. That is the fact that the figure of George Bush still seems to be an influential factor in the future prospects of the country.

A potent, and sarcastic, symbol of this recognition can be seen at the entrance of the luxurious al-Rasheed hotel. The hotel lobby was hit by a cruise missile during a US attack on a nuclear installation in a suburb of Baghdad in January during the last few days of Mr Bush's presidency. As part of the hotel's rehabilitation programme the Iraqis have painted on the gleaming tiles outside the front door a snarling portrait of the former US president which is trodden on daily by hundreds of Iraqis and other hotel guests.

Such "therapy", however, is unlikely to heal the increasing likelihood that Iraq will remain a pariah state for a long time to come.

Narasimha Rao: visit to China in September

India and China in border deal

By Shiraz Sidhva in New Delhi

INDIA and China yesterday agreed to open an additional border trading post at Shipkilah in the northern Indian state of Himachal Pradesh, and agreed further confidence-building measures, such as increased transparency about the location of military positions, in order to maintain peace.

The agreement was announced by Mr J N Dixit, the Indian foreign secretary, on the concluding day of the India-China joint working group talks between him and Mr Tang Jiaxuan, Chinese vice foreign minister, and senior officials from the defence ministries of both countries.

At a news conference in New Delhi, Mr Dixit admitted that India and China had "a difference of views" on the signing of the nuclear non-proliferation treaty. When India voiced concern about the supply of Chinese missiles to Pakistan, the Chinese delegation held that Beijing's policy of arms sales was not directed against India, and said the quantity of arms supplied to Islamabad had been "small".

Mr P V Narasimha Rao, the Indian prime minister, will visit China in the first week of September for further bilateral talks.

Eritrea hits at OAU's 'failure'

ERITREA, Africa's newest independent state, stunned the opening session of an Organisation of African Unity summit yesterday by declaring that the OAU had been an utter failure for 30 years, Reuter reports from Cairo.

"The sad fact remains that the OAU has become a nominal organisation that has failed to deliver on its pronounced objectives and commitments," Eritrean President Isayas Afewerki told a hushed conference hall.

"Although the OAU has often championed the lofty ideals of unity, co-operation, economic development, human rights and other worthy objectives, it has failed to seriously work towards their concrete realisation.

"Thirty years after the foundation of this organisation, our continent remains affected by growing poverty and backwardness.

"The African continent is today a marginalised actor in global politics and the world economic order," he said.

"Africa is not a place where its citizens can walk with raised heads but a continent scorned by all its partners, a continent that seems to produce endlessly the wrong manuals for economic development, democratisation and political management," Mr Afewerki declared.

Debt stalks Indonesia donors

William Keeling on the problems of a leading aid recipient

INDONESIA'S international donors, who began their annual three-day meeting in Paris yesterday, might be forgiven for withholding their pens for a moment before signing away an expected \$5bn in aid. While Indonesia has a strong record of economic growth, the pace of liberalisation has slowed and new impediments to prosperity have emerged.

Among the world's largest recipients of aid, the country has been lauded by the World Bank and the Asian Development Bank as their star pupil. Moving from an oil-based economy in the early 1980s, Indonesia has used its cheap labour and abundant natural resources to develop an array of labour-intensive export industries.

The growth in non-oil exports, which last year totalled \$21.9bn (£14.6bn), has averaged 18 per cent over the past five years, with 26 per cent annual growth in manufactures, such as textiles, shoes and timber products. Donors expect manufacturing to rise from 16 per cent of gross domestic product now to 23 per cent by the year 2000.

The government has also reined back a current account deficit of \$4.3bn in 1991-92 to an estimated \$2.9bn in 1992-93. Public and private foreign debt grew nearly 9 per cent last year to about \$87bn – resulting in a 31 per cent debt service ratio – but as one donor executive explains, "next year will see a considerable slowing in Indonesia's absolute debt".

Concerns surround the domestic banking sector, however, and there is a fear that many of Indonesia's conglomerates are concealing a midden of debt in their accounts.

Unlikely to be participating in Indonesia's export-drive this year are more than 300 businessmen on whom the government slapped a six-month travel ban last week. Government officials say the businessmen are each at least Rp250m (£80,000)in default to the state banks and state companies.

They add that the ban is coincidental with the leaking of an alleged list of the state banks' worst corporate debtors compiled by the monetary authorities. The list, not yet verified by government officials, shows 26 companies – many politically well-connected, including three led by relatives of President Suharto – not servicing loans totalling Rp6,900bn.

If accurate, the list would confirm the worst estimates of the banking sector's non-performing loans. The sector's assets total about Rp130,000bn, split almost evenly between state and private banks. The government line is that non-performing loans total about Rp8,000bn, of which Rp3,500bn are considered unrecoverable.

A World Bank report last month, however, stated that "loan portfolio quality has deteriorated sharply since 1990, with conservative estimates that classified (non-performing) loans represented about 15 per cent of all bank loans in late 1992" or closer to Rp20,000bn.

The travel ban may be a welcome sign of the government's determination to right the sector's wrongs. It would also go some way to placating donors frustrated by the government's apparent reluctance in the past two years to maintain the pace of economic liberalisation.

A deregulation package earlier this month disappointed economists, making marginal reductions in the level of tariffs and opening up minor sectors to foreign investors.

As the World Bank report made clear, with more than 9,200 categories, Indonesia's tariff system remains too complex and "non-tariff barriers and effective rates of protection are high".

Donors believe there is increasing collusion between importers and customs officials to evade tariffs. There has been a decline in imports undergoing pre-shipment inspection (to which all shipments above a value of \$5,000 are subject) from 67 per cent five years ago to just 47 per cent last year.

Not only is the government losing revenue, but economists argue tariffs and import controls are stifling potential export industries. For instance, processed food, despite Indonesia's broad agricultural base, constituted less than 2 per cent of non-oil exports in the last seven years.

The industry's competitiveness has been damaged by government control of the import and retail price of sugar, a key input in food processing, which has kept the domestic price more than 30 per cent above the world market.

Removing tariffs, however, would damage the interests of many politically well-connected companies. And while the donors would like the pace of reform to quicken, too many demands will rile government ministers.

Two decades of funding has left donors financially exposed, a fact which gives Jakarta almost as much leverage over its benefactors as vice versa.

Afrikaner land decision today

By Patti Waldmeir in Johannesburg

SOUTH AFRICA'S constitutional negotiators are today expected to decide whether to grant the right-wing Conservative party's demand for Afrikaner self-determination. Police kept up pressure on the right yesterday by arresting 21 people in connection with last Friday's armed siege of the constitutional conference centre.

If the 26-party negotiating forum rejects the Conservative party's demand for a separate Afrikaner homeland – or at least a highly autonomous Afrikaner state within a federal South Africa – the party may quit constitutional negotiations permanently. The decision to pull out could be taken today or later in the week when the 208-delegate Negotiating Forum meets.

Such a decision could prove a turning point in South African politics. The heavily armed and well organised white right has made clear that it would fight for an Afrikaner homeland, if it cannot achieve their demands through negotiation.

Last night right-wingers were threatening retaliation after police said they had arrested 21 members of right wing groups. They refused to name those detained, but said more arrests – up to 300 – could be expected.

However the African National Congress condemned the action as insufficient. It demanded the arrest of the protest leaders: Mr Ferdi Hartzenberg, Conservative party leader, Mr Eugene Terre-blanche, head of the Afrikaner Weerstandsbeweging (Afrikaner Resistance Movement), and Gen Constand Viljoen, Afrikaner Volksfront leader.

Police said Mr Terreblanche – who openly led his men in the destruction on Friday – was not being sought. They said it was difficult to identify his role, despite the fact that hundreds of witnesses watched him lead the way as an AWB armoured car drove through the glass front of the conference centre.

The government and the ANC are clearly keen to prevent a Conservative party walkout from the talks, fearing right-wing radicals could jeopardise a future constitution. Mr Nelson Mandela, ANC leader, said in a television interview: "We are prepared to concede enough powers to regions to exercise some form of self-rule" but he stressed that the ANC could not accept a racist state which denies blacks human rights and citizenship.

US, N Korea in N-talks

THE US and North Korea have agreed to reopen high-level talks in Geneva on July 14 on nuclear and other issues, according to South Korean officials, AP reports from Seoul.

This would follow a visit by President Bill Clinton to Seoul on July 10-11. The Geneva talks have been called to follow up on earlier high-level contact during which Pyongyang reversed an earlier decision and agreed to remain a signatory to the Nuclear Non-proliferation Treaty.

The North did not say anything then, however, about reopening its facilities to international inspections. The North allowed four inspections in 1992 but refused to accommodate a demand to inspect two facilities suspected of being nuclear waste dumps.

Mr Han Sung-joo, South Korean foreign minister, said on Sunday the North's nuclear issues would top the agenda in the talks between Mr Clinton and South Korean President Kim Young-sam.

North Korea, a hard-line Marxist state, is suspected of developing nuclear weapons, despite its denials.

NEWS: WORLD TRADE

US warns of threat to Japan links

By Charles Leadbeater in Tokyo

THE US has warned Japan that their economic relationship could become increasingly fraught, straining their security alliance, unless Japan responds to Washington's proposals for a framework for further detailed trade talks.

A senior US administration official, speaking after two days of talks in Tokyo ended without agreement, indicated that the US would start to take a firmer approach, and warned Japan that the entire relationship was at stake.

He said: "The relationship as it stands is corroded. The corrosive effects of limited market access and the corrosive effects of Japan's large current account surplus will exacerbate an already difficult bilateral relationship."

The official was reflecting mounting frustration with Japan's refusal to accept numerical measures of the openness of its market.

He said the issue was not whether the US would threaten to use sanctions in particular areas: "The real issue is the long-term quality of the relationship."

It is almost certain that the US and Japan will not meet the original goal set by President Bill Clinton and Prime Minister Kiichi Miyazawa at their April summit, that the two leaders should initial the framework agreement at a second summit in Tokyo next week.

Two days of negotiations in Tokyo ended last night with the US team exhausted and Japan vehemently opposed to targets for opening the Japanese market.

The two sides have little disagreement over the five baskets of issues which the US has proposed for discussion, covering areas such as trade in vehicle parts and supercomputers as well as macroeconomic imbalances.

Japan is opposed to a specific target for a swift reduction of the current account surplus. But the difference between the two sides on this issue is mainly one of how quickly the surplus is reduced. The US wants a reduction from about 3.5 per cent of gross national product to between 1 and 2 per cent of GNP within three years. The Japanese believe that would be too fast.

The main sticking point, however, remains the role of numerical targets.

US may challenge satellite contract

By William Keeling in Jakarta

GENERAL Dynamics of the US may dispute the award of a contract last week to Arianespace of Europe to launch Indonesia's Palapa C-1 satellite system in 1995.

The award of the contract, worth an estimated $160m (£107m), by the private Indonesian company Satelindo, took industry officials by surprise. It will be the first Indonesian satellite not launched by a US company.

Dr Clifton R Wharton, US deputy secretary of state, visiting Jakarta, said yesterday that General Dynamics had met an Indonesian government minister to discuss the case. He stopped short of accusing Arianespace of using unfair means to win the deal but said the US was discussing with Indonesia the need for business "transparency".

Textile industry attacks 'cynical' tariff plan

THE US textile industry, a key and unwilling participant in the Uruguay Round, is denouncing a reported European Community proposal to cut US and European textile tariffs to zero as a "cynical and transparent attempt to divert blame for the impasse in the negotiations to the US", writes Nancy Dunne in Washington.

Mr Carlos Moore, executive director of the American Textile Manufacturers Institute, said the EC was reported to be backing elimination of textile tariffs in both the US and Europe and a 50 per cent cut in all apparel tariffs. "This is a ploy, because we have spoken with our counterparts in Europe and they oppose what the EC has put on the table," Mr Moore said.

US textiles and clothing imports have taken the sector trade deficit to a high of $9bn (£6bn) for the first four months of 1993, writes Daniel Green. It now accounts for almost a quarter of the total US trade deficit.

Between January and April the US imported $12.5bn worth of textiles and clothing, an increase of almost 8 per cent over the 1992 period. In April, when the overall trade deficit fell, the textiles and clothing deficit rose 13 per cent.

Mr Henry Truslow, president of the American Textile Manufacturers Institute, blames Far Eastern countries which "continue to close their markets to our goods". He also warned US Gatt negotiators that "the most perilous threat to our industry is the Dunkel draft" – the latest plan to conclude the Uruguay Round.

A phasing out of textile tariffs would go well beyond the already steep cuts reportedly backed by Mrs Carla Hills, the former US trade representative, who "agreed on some body of tariff cuts by 50 per cent", he said, adding that industry officials had concluded the EC wanted to cut US textile tariffs to divert production from the developing countries to America.

"Our industry and the European industry are already making an enormous contribution to trade liberalisation by honouring demands by developing countries to phase out the quotas," Mr Moore said. Mr Arthur Dunkel, the Gatt director-general, has proposed eliminating quotas over 10 years; Mr Mickey Kantor, the US trade representative, has indicated US support for a longer quota phase-out – perhaps as long as 15 years.

In Washington, trade lobbyists have been speculating that once Congress gives President Bill Clinton a renewal of his Gatt fast-track negotiating authority – due to pass this week – Mr Kantor will feel considerably less constrained about making concessions on textiles.

However, the Senate finance committee last week sent a letter to Mr Clinton restating Congress' negotiating objective for the round. This included a request to negotiate tariff cuts only "where our private sector favours such an action and significant trading partners concur".

Mr Moore seemed confident Mr Kantor would not call on the industry to make additional contributions to the round's success.

"Kantor is very concerned about the damage to this economy if an enormous number of textile and apparel jobs are lost. I don't think he finds enormous employment benefits in reducing low tariffs in Europe to zero," he said.

"It could cost us more than 1m jobs. Does the US gain 1m jobs in semiconductors and pharmaceuticals? Not hardly."

State sector leads Singapore in the scramble for China

The focus is on infrastructure projects management and on advice, writes Kieran Cooke

外商投资

Foreign Investment

SINGAPORE is both winning and losing the race to invest in China. The island is successfully carving out a niche for itself as China's leading adviser in many areas. It is managing multi-million dollar infrastructure projects and advising China on economic and financial matters.

But so far it has bitten off only a small slice of the China investment cake.

According to official Chinese figures, Singapore companies became involved in more than 700 projects in China in 1992, with a total value of US$997m (£664m).

The figures are small compared with those of Hong Kong and Taiwan. Last year alone Taiwan is estimated to have invested $5bn in China.

Singapore's economic success has been built on the twin pillars of foreign multinationals and efficiently run, powerful, state companies. Singapore's private sector, grown fat on profits at home, has only recently started to expand overseas.

It is the Singapore government rather than the private sector which is leading the rush to China. Two recent deals demonstrate the Singapore approach:

- In mid-May the Singapore authorities and China signed a provisional agreement to develop a 70 sq km industrial township in Suzhou, near Shanghai. Called "Singapore II" by the Singaporean press, the township will be built with Singapore's integrated planning approach.

Chinese officials will be seconded to Singapore government departments and taught the island republic's planning methods. Singapore managers will oversee work on the project, organising a expected $20bn of investments in the new town.

Mr Lee Kuan Yew, Singapore's senior minister, played a key role in the Suzhou deal. Mr Lee says Singapore will not only build up goodwill through the project, it will also make the connections (*guanxi*)so necessary to winning further contracts.

"If we transfer this asset over seven to 10 years, it will be useful to them and in the process we will get to know them well at different levels... That's the trade-off," says Mr Lee.

- Last December two state-controlled Singapore companies, Singapore Technologies Industrial and Jurong Environmental Engineering, entered into agreements with the Chinese authorities to help develop and market a 5,000ha commercial, industrial and residential complex in Fujian province.

The first phase of the scheme will cost about $185m. Again the hope is that in the course of the project, Singapore companies will win lucrative contracts.

Similar deals have been signed for a variety of other schemes, involving airport planning, road construction, and property development.

China has been tapping Singapore expertise in other fields. More than 200 Chinese delegations have visited Singapore in the past year.

In some respects Singapore represents a model for China's planners. It is an open and successful market economy within a tightly controlled, centralised political system.

Mr Goh Keng Swee, a former Singapore finance minister, has been acting as an economic adviser to China since 1985. Mr Goh played a central role in Singapore's planning process in the 1960s and 1970s, setting up the island republic's Economic Development Board, the Monetary Authority of Singapore and other key institutions.

Bankers say it is clear that the MAS is playing an important role advising China's central bank, the People's Bank of China.

The Singapore government is investing in companies with close China connections. It recently took a 12.5 per cent stake in New China Hong Kong Group, a company based in the colony, said to have close links with the Chinese leadership.

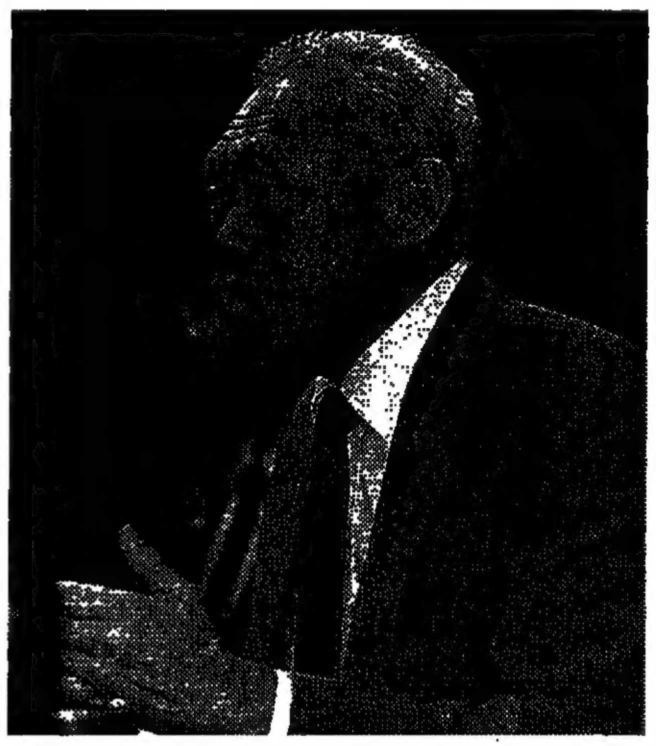
Mr Lee and other Singapore leaders say the government cannot always be expected to take the lead in establishing China contacts. They chastise Singapore's business community for its paucity of overseas investment.

"No one wants to go abroad... We have got to shake Singaporeans up, make them adventurous, or we will be losers," says Mr Lee.

Mr Lee himself is blamed for fostering a risk-averse culture in Singapore. Critics say that by building up an over-regulated, carefully controlled society, the entrepreneur – so evident in Taiwan and Hong Kong – has been squeezed out of Singapore.

Some elderly Singaporean businessmen have retained close China links, based on family and dialect groups.

"Most of the young Singaporeans are no good at China business," says an older Singapore trader with close connections in Shanghai. "They expect things to work just as they do at home. They are arrogant and don't understand the way things are done."



Glyn Genin

Lee Kuan Yew: played a key role in the Suzhou deal

● Bombing of Baghdad undermined UN, says opposition ● Government defends 'justified' action

Labour attacks support for US air strike

By Alison Smith

BRITAIN'S opposition Labour party yesterday launched a fierce attack on the British government's backing for the US bombing of Baghdad, challenging its basis in international law and saying that it should never have taken place.

The cross-party consensus in the House of Commons on the government's approach to Iraq, which survived through the Gulf war, broke down yesterday as Mr George Robertson, Labour's foreign affairs spokesman, condemned the US strike as "dubious in legality, questionable in morality, haphazard in its military impact and potentially devastating in diplomacy".

The fracturing of opinion was underlined by the fact that some Tory MPs joined opposition parties in expressing fears about what the attack meant for the future role of the United Nations and for relations with Arab regimes.

But Mr Douglas Hurd, the foreign secretary, insisted the response to the failed plot to assassinate former US president George Bush was justified and proportionate. It had to be seen in the context of Iraq's pattern of attempted defiance and obstruction of the international community and its sponsoring of state terrorism.

"Only through firmness can Iraq be persuaded to conform to the standards of behaviour required of it by the international community," he said.

Mr Hurd conceded the risk – raised by Mr Cyril Townsend, a leading figure in the Conservative Middle East Council – that the attack would strengthen the position of Islamic extremists, but believed that as on previous occasions, Arab critics in the coalition would feel safer and more satisfied that the US had been prepared to show leadership.

The main charge from the opposition was that the attack had damaged the UN and hopes of a post-cold war world order, since it did not conform to international law. It could not properly be based on article 51 of the UN charter, they said, since it was in response to a failed assassination attempt which had occurred months ago.

Sir David Steel, the Liberal Democrat foreign affairs spokesman, said the article was intended for use when there had been an attack on a UN member nation, until the Security Council could act to restore peace.

But Mr Hurd argued that it allowed force to be used in self-defence against threats to a country's nationals, and that Iraq's support for state terrorism meant there was a constant threat of further attacks.

He urged the other parties not to adopt the rule that specific mandates had to be sought from the UN when member nations were acting in self-defence, since this would lead to a "dangerous state of paralysis".

Responding to MPs' concern about the three Britons held in prison in Iraq, Mr Hurd insisted that the government was doing all it could to secure their release.

Joe Rogaly, Page 12

Officials justified Iraq exports despite guidelines

By Jimmy Burns

CIVIL servants across three Whitehall departments secretly justified the export of machine tools to Iraq in breach of the government's own publicly declared guidelines, the Scott inquiry heard yesterday.

Documents presented to the inquiry showed that the officials told ministers that exports to Iraq did not breach the guidelines.

An internal memo written by Mr William Patey, a Foreign Office official who was chairman of the Whitehall Inter Departmental Committee, for the junior foreign office minister Mr David Mellor, argued that if existing export licences for the machine tools were revoked, the government could face legal action from the companies concerned.

Yesterday, Mr Patey admitted to the inquiry that the Foreign Office had never taken legal advice on the issue. Instead he appears to have reflected the views of Department of Trade and Industry and Ministry of Defence officials within the IDC.

The memo added that the machinery in question was "not technically defence related" and that not to carry out the contracts would mean Britain's foreign competitors stepping in.

Mr Patey told the inquiry that advice given by civil servants to ministers on the export of machine tools in January 1988 was "deficient" in that it glossed over the extent to which they might have contravened declared policy.

It emerged yesterday that the memo was written after the Foreign Office had apparently spent two months ignoring specific information it had received from the MI6 intelligence service that Iraq was building up its indigenous arms manufacturing capability after signing contracts with Matrix Churchill and other UK machine tool companies.

The government's guidelines restricted the export of defence related equipment that could significantly enhance the capability of both Iraq and Iran to exacerbate the Gulf conflict.

Mr Patey told the inquiry that not all intelligence information was immediately acted upon by the Foreign Office and that anyway this report on machine tools had "probably been left in a cupboard" to await the aftermath of the Christmas holiday period.

Documents referred to yesterday show the selective use that was made within Whitehall of additional information made available to the Foreign Office, DTI, and MoD officials. This was that one of the machine tool companies, Matrix Churchill, was being encouraged to trade with Iraq as a way of providing intelligence. The bulk of these documents were released after the collapse of the controversial trial last November of three former Matrix Churchill executives which led to the setting up of Lord Justice Scott inquiry.

Lord Justice Scott had made clear that the main focus of his inquiry is the extent of government knowledge or complicity in breach of guidelines or export control legislation. Lord Justice Scott yesterday asked Mr Patey: "Let's grab the nettle. Was allowing these machine tools exports consistent with the government's guidelines?" Mr Patey replied: "I do not think they were."

The inquiry continues tomorrow.

GOVERNMENT ministers are hostile to plans to restrict access to parts of the City of London in an effort to prevent the further bombing attacks by the Irish Republican Army, writes Paul Abrahams.

The plans, proposed by the Corporation of London – the local authority for the City – would probably require legislation and government support to reach the statute book. The scheme, announced in outline earlier this month, involves banning non-essential traffic from about a third of the City. The boundaries have not yet been determined, but would be likely to include only the heart of the City, covering the area around the Bank of England, the Stock Exchange, Mansion House and NatWest Tower.

The area would be divided into five zones. Each would have access through a single entrance staffed by guards. There would be several exits along one-way streets. Only two entrances would be available at night. The proposals follow two IRA bombs in the last 14 months that killed four people and caused hundreds of millions of pounds of damage.

N Ireland secretary in furore over opera gaffe

By Ralph Atkins, Gillian Tett, Raymond Snoddy and Our Belfast Correspondent

THE GOVERNMENT was last night trying to defuse the impact of an apparent gaffe by Sir Patrick Mayhew, the Northern Ireland secretary. Sir Patrick angered Unionist MPs after joking that "nobody was dead" after a grenade attack on a parade in Belfast at the weekend.

The row followed the decision by the BBC in Ulster to broadcast a recording of remarks by Sir Patrick made when visiting the opera in Castle Ward, County Down, with the prime minister on Saturday night.

Although Mr Major told journalists at the event he had no comment on the attack, Sir Patrick was less discreet. After a few minutes of telling the press pack he would not comment until briefed, he said: "Well, nobody is dead yet. At the end of this opera everybody is dead."

Sir Patrick quickly added it was "no joking matter" and retired to the edge of the lawn with local officials. He then went back to express his outrage to the waiting cameras. "It is very serious from what I hear," he said. "I very much hope that it will not cause any heightening of the temperature at this time."

Sir Patrick's aside highlighted the precarious task faced by Northern Ireland secretaries. Mr Peter Brooke offered his resignation last year as Northern Ireland secretary after singing *My Darling Clementine* on an Irish chat show within hours of an IRA bomb which killed eight people.

The Northern Ireland Office and Downing Street said Mr Mayhew's remarks had been taken out of context. There was no need for an apology.

Mr Peter Robinson, deputy leader of the Democratic Unionist Party, said Sir Patrick's remarks had been "absolutely disgraceful."

Mr Kevin McNamara, Labour's Northern Ireland spokesman, asked for an assurance that "no pressure" had been applied to the BBC in an attempt to stop it using the tape at the weekend.

The BBC said the first real opportunity to use original recording was yesterday on Good Morning Ulster, which goes out between 7am and 8.45am. The BBC said no attempt was made to lean on it other than to provide a "proper" version.

Ironically, the opera which proved the backdrop for the furore was Donizetti's Lucia Di Lammermoor tells the tale of star-crossed lovers, caught on the wrong side of religious and political divides.

Overseas utilities may be owed £5bn if N-plant delayed

By Bronwen Maddox and David Owen

COMPENSATION to overseas power utilities could amount to £5bn if the UK abandoned Thorp, the controversial nuclear reprocessing plant at Sellafield, MPs were told yesterday.

But as the government threw its weight behind the £2.8bn plant in yesterday's House of Commons debate, it also announced a further round of public consultation on Thorp, delaying a final decision on its future until late autumn.

The government's assessment could be complicated by the publication yesterday of a long-awaited report from a government advisory committee which argues that British Nuclear Fuels has not adequately explained its plans to store foreign nuclear waste in the UK permanently.

The Radioactive Waste Management Advisory Committee said there were many questions still to be answered about BNF's proposed policy of "substitution". Under this plan, bulky low-level and intermediate-level waste will be stored permanently in Britain while BNF would return to customers high-level waste equivalent in terms of radioactivity. "The profitability of Thorp would be considerably enhanced if substitution were to be accepted," the report says.

If the government followed the committee's recommendations, that could add months more to a debate about licensing the plant. Dubbed Britain's biggest white elephant by environmentalists, the plant is waiting for a licence from the Department of the Environment to start operation. The company has warned that further delay could force it to shed staff, to help cut costs of £2.4m a week.

Mr Tim Eggar, energy minister, attacked a Liberal Democrat proposal for a fuller public inquiry into Thorp, saying it would lead to "a loss of confidence" by overseas investors who have funded much of the plant's construction. A number of Thorp's customers had "shown interest" in signing additional contracts beyond the initial 10 years, he suggested.

Mr Simon Hughes, Liberal Democrat environment spokesman, said there was growing international concern about international proliferation of the uranium and plutonium produced by reprocessing.

The government's proposed consultation, lasting 10 weeks, will begin in late July with the publication of a report setting out the case for the plant. The government received legal advice last month that it would run the risk of facing judicial review prompted by legal action from pressure groups if it did not consider wider issues raised by the plant.

Mr Chris Smith, a Labour environment spokesman, accused the government of prejudging its own consultation. Ministers were saying "we have made up our mind but we are going to consult because legally we have to be seen to do so", he said.

Mr John Gummer, environment secretary, said that the public consultation, the second on the plant, would look at the wider economic and political justification for it.

Environmental considerations, however, had been adequately addressed by the pollution inspectorate's report on the first public consultation, he said.

Thorp is designed to extract reusable uranium and plutonium from used or spent nuclear fuel, leaving a smaller amount of true waste. Under its contracts, BNF can return all the reprocessed material to foreign customers.

The committee is concerned that BNF has not yet agreed the details of substitution with its foreign customers, mainly Japanese and German nuclear power utilities, who make up two thirds of Thorp's order book for its first 10 years of operation.

BR faces criticism on accounts move

By Richard Tomkins, Transport Correspondent

BRITISH Rail is bracing itself for a hostile reaction to an accounting move that will benefit its profit and loss account by more than £100m when it publishes its annual results tomorrow.

Critics are likely to claim that the figures have been massaged in an attempt to stimulate private sector interest in the privatisation of the railways, due to start next year.

BR will defend itself by claiming that the move is a delayed response to a long-standing government directive requiring it to bring its accounts into line with normal commercial practice.

The most significant effect will be to produce a boost in operating profits of nearly £90m for InterCity, one of the most attractive parts of its business. In the year to March 1992, InterCity reported a profit of £2m. This is understood to have been restated to show a profit of £91m.

In the latest year, ending March 1993, recession was expected to have taken InterCity heavily into loss. Instead, the £90m boost from the change in accounting policies is expected to leave it very substantially in profit. Overall, BR will be £120m better off by the move, reducing last year's pre-tax losses of £145m to a loss of just £25m. In the year just ended, the effect is expected to reduce losses of between £250m and £300m to a loss of £170m.

Previously, infrastructure renewals, such as track replacement, were counted as costs in the year in which they were incurred, and charged to the profit and loss account.

Under the new policy, infrastructure spending will be counted as capital investment and charged to the balance sheet. The only cost to be charged against the profit and loss account will an annual charge for depreciation calculated over the lifetime of the asset concerned.

A further boost will come from a change in the treatment of grants for capital investment. Instead of being written off in the year in which they are received, these will be released to the profit and loss account over the lifetime of the investment, partly offsetting the depreciation charge.

BR said it was "unfortunate" that the move had coincided with privatisation, but the two were unrelated.

Britain in brief

Coal union chief issues party threat

Mr Arthur Scargill, president of the National Union of Mineworkers, has warned that unless the opposition Labour Party abandoned its one member one vote reforms some trade unions may set up their own political party.

The NUM president was speaking at his union's annual conference in Scarborough, attended by about 100 delegates.

Most other trade unions – even those opposed to the reforms proposed by Mr John Smith, Labour leader – quickly distanced themselves from the remarks of the NUM president.

Hanson faces pit opposition

The Trades Union Congress, the umbrella group for most UK unions, said it was opposed to any takeover of privatised pits by Hanson, the Anglo-US conglomerate. The TUC also said it would be mounting a campaign of "political and social pressure" to draw attention to action in the US by the United Mine Workers of America and Canada. UMWA is striking in the US against the Hanson subsidiary, Peabody, over job security.

Expansion in TV channels

The UK could have as many as 100 television channels without the need for cable or satellite by using digital technology, the Independent Television Commission said.

Such a large number would only be possible, however, if digital broadcasts from existing transmitters replaced the present PAL broadcasts of the four national television channels. The first full use of digital in Europe is likely to be by FilmNet, the satellite company broadcasting pay-television to the Benelux countries.

City watchdog fights new rules

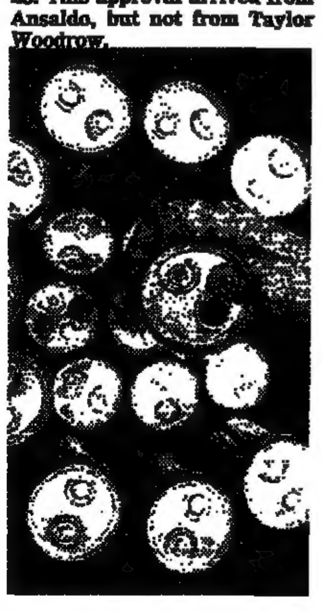
The Securities and Investments Board, the City's chief watchdog, has joined forces with the two self-regulatory bodies for the life insurance industry to oppose tough new disclosure rules proposed by the Office of Fair Trading.

The move appears to be a retreat by the SIB's chairman, Mr Andrew Large, who had earlier said he favours requiring life insurance companies to tell prospective customers more about the products they buy.

Transit project put in doubt

Plans for a rapid transit system in central England fell into disorder when the board of Taylor Woodrow, one of the two companies selected to develop and run the project, failed to endorse a contract agreed and signed by its negotiators on June 20.

Taylor Woodrow and Ansaldo Trasporti, the Italian rail equipment group, in a consortium called Centram, had been selected to construct and operate Midland Metro Line One, a light railway to run between Birmingham and Wolverhampton. A letter from Centram, dated June 20, undertook to provide board approval for the detailed terms of the development and operations contracts by June 28. This approval arrived from Ansaldo, but not from Taylor Woodrow.



CLASH of the cans: Ecotop, an all-steel fizzy drinks can with a novel push-button opening system, was launched yesterday. J. Sainsbury, the food retailer, is the first UK company to use the can, developed by British Steel Tinplate, Hoogovens of the Netherlands, and Germany's Rasselstein.

To open the can, consumers press two buttons – a smaller one to release the pressure inside the can, then a larger one to reveal a hole for drinking or pouring. The launch marks a new phase in the battle for supremacy between steel and aluminium.

Court told of RSI warning

Reuters news agency, the employers of a journalist who lost his job after developing repetitive strain injury (RSI), had been warned beforehand of the health risks of new computer technology, the High Court was told yesterday.

However, Reuters did nothing about the problem until Mr Rafiq Mugal began suffering from RSI, the court heard.

Mr Mugal is suing his former employers for compensation in a test case which could have widespread implications for other journalists and users of computer keyboards. Reuters denies liability. The hearing continues.

Workers face sick pay cuts

Cuts in pay for employees who take time off because they are sick are being considered by nearly one in five companies, according to a survey of personnel managers in 500 organisations published today

Banking, finance and public service sector organisations are most likely to be considering cutting sick-pay schemes, with 26 per cent saying that they might reduce benefits within the next two years, found the survey conducted by the magazine Personnel Today.

Banks back loan scheme

UK banks said they expected the reformed version of the government's Loan Guarantee Scheme to attract greater interest from both borrowers and lenders when it is launched in its new form this week.

The British Bankers' Association said that the new scheme, which extends the maximum loan for existing businesses from £100,000 to £250,000 would probably be attractive to firms trying to obtain debt to trade into recovery.

Doctors relax fund opposition

The British Medical Association, the union representing most medical doctors, has decided to relax its opposition to fund-holding by family practitioners, the single most controversial aspect of the government's reforms of the state run National Health Service.

Fund-holders have budgets from which they purchase hospital and other care on behalf of their patients.

Wary oil industry looks to new frontier

Deborah Hargreaves assesses the impact of high costs and severe weather on offshore exploration

Offshore oil, one of Britain's most important natural resources, is prompting exploration by companies in less traditional areas around UK waters.

The trend, confirmed recently by Mr Tim Eggar, energy minister, when he awarded the latest oil exploration licences, comes as the North Sea and the southern gas basin reach maturity – they have been so heavily explored, companies do not expect to make important discoveries there.

The oil industry is focusing more exploration in waters to the west and the south.

This has seen companies looking west of Shetland, in the Irish channel off Wales.

Mr Eggar said: "I think we are on the verge of proving up a major new oil province which is significant for the future of the industry and UK oil production."

The government has strong hopes for the west of Shetland area, where several discoveries have been made. "It is yet more evidence that the UK continental shelf continues to yield great benefits for the economy," Mr Eggar said.

But he is probably more enthusiastic than some in the oil industry wary of the the enormous difficulties before discoveries in these "frontier" waters can be turned into commercial production.

Mr Richard Hardman, exploration director at Amerada Hess which has made an oil discovery of around 200m barrels west of Shetland, is cautious. "It's good to know there are big structures there and large potential reserves, but there is a huge challenge to find the technology and get it out at a reasonable cost."

If companies can find sizeable amounts of oil, these fields could prove extremely lucrative. Proposed changes to Petroleum Revenue Taxes would abolish tax on new fields while existing fields face a 50 per cent rate. This gives an added incentive to explore in "frontier" waters.

Many of these "new" areas have been explored before. The Clair field – estimated to contain 3bn barrels of oil – was discovered west of Shetland 20 years ago. That discovery has never been exploited because of geological and technological problems.

Improvements in technology for appraising and exploiting oil discoveries could make some of these marginal areas viable for the first time. But it could be well into the next century before oil starts flowing from the west of Shetland region although other areas could yield oil sooner.

A further obstacle has been raised by environmental groups are threatening to challenge the government's award of licences in sensitive areas such as Cardigan Bay at an EC level. They say the licences could infringe EC environmental directives.

The difficulties west of Shetland waters are even greater. Deep water and sever weather make the area one of the harshest in the world.

The ocean west of Shetland can be up to 6,000 feet deep whereas the deepest producing platform in the North Sea is in water 600 feet deep. The weather is bad and companies are unable to gather seismic data in winter. In addition, the lack of basic infrastructure adds to the cost of development and production. British Petroleum made an important discovery of between 250m and 500m barrels of oil west of Shetland in March, which could cost £2bn to develop.

"You might be able to use a floating production system to extract the oil and then collect it in tankers," said Ms Caroline Noble, industry analyst at Wood MacKenzie in Edinburgh. "But the weather is so bad, you probably wouldn't be able to use it all year round."

BP is conducting its largest ever offshore seismic programme in waters west of Shetland at a cost of £9.4m and hopes to drill another well before the end of the year.

Mr Hardman points out that Amerada drilled 15 wells in this area before it made a discovery. Amerada plans to drill a couple more wells before it decides whether the discovery can be exploited commercially.

A group of companies is looking again at the Clair discovery in the hope of establishing a development programme for that towards the end of the decade. But the complexity of the field means that only 150m barrels from the 3bn in place could be extracted.

In spite of the challenges, the industry remains keen to search for oil.

MANAGEMENT: THE GROWING BUSINESS

Joining the extended family

Judy Dempsey and David Waller examine the varying fortunes of the German Mittelstand

Falken Registraturen is a typical example of the Mittelstand, the small and medium-sized companies that formed the backbone of western Germany's postwar economic success. It employs 240 people and sells paper products, ranging from files and envelopes to notepads and office material.

But Falken, managed by 30-year-old Günther Becker, is located in the state of Brandenburg, in the tough business community of what was East Germany. And against all the odds, the company, a wholly owned subsidiary of Wilhelm Becker Papiergrosshandlung, a trading house in the Rheinland, is surviving.

Equally surprising is that Becker had no experience in running a paper factory, let alone operating in an eastern German environment.

"Everybody warned me about the effect 40 years of state planning had had on the labour force. But here, my staff is committed and motivated. They work hard. They want the plant to be a success. Indeed, it is they who have taught me everything I now know about making paper products," Becker says.

Since taking over the plant two years ago, the parent company has invested about DM50m (£20m), mostly on new equipment – which has raised productivity to 80 per cent of western German levels – and on infrastructure. As a result, Falken has already captured about 20 per cent of the eastern German market, and about 15 per cent of the western German market, largely through direct sales contracts to companies. "We can even talk about small profits, of between 1 and 3 per cent on our current turnover of DM42m," Becker says.

Like many of the Mittelstand in eastern Germany, Falken's future is dependent on several factors: support from the mother company in western Germany, investment grants and tax breaks, and confidence that the Mittelstand will eventually flourish, not next year, nor even in five years, but in 10 years. "These grants are reduced and phased out over time," Becker says. "So anyone coming to eastern Germany must remember that this is a long haul. You have to think in the very long term. There are no quick fixes."

Yet there were no quick solutions to rebuilding the Mittelstand in western Germany after 1945, except that, unlike eastern Germany of today, western Germany had one big advantage: the tradition of small, family-run enterprises was still intact.

"In the eastern states, because of several decades of central planning, you do not have the memory, the habit, or the continuity of an entrepreneurial/enterprise culture. You do not have the families which make up the Mittelstand in western Germany," explains Wolf-Dietrich von Bothmer from Deutsche Bank's branch in Dresden. Hence the importance of investment from the west.

Another difficulty for the Mittelstand in eastern Germany is the loss of markets in eastern Europe and the former Soviet Union, caused by Bonn's decision to introduce monetary union in 1991. Before unification, more than 50 per cent of eastern Germany's output was exported eastwards. Today, such exports hardly exist.

"When the Mittelstand in western Germany re-emerged after 1945, these companies could anchor themselves to an expanding industrial base," says Richard Reid, an economist at Union Bank of Switzerland in Frankfurt. "Eastern Germany does not have that advantage."

That said, green-field plants – such as Opel's car manufacturing operation at Eisenach or the large recycling plant that Enso Gutzeil, the Finnish paper manufacturer, will build near Leipzig – should eventually fill the gap.

The importance of local customers is underlined by Heiner Hölzemann, manager of a chemical and gas containers plant in Fürstenwalde, Brandenburg, owned by the west German Krämer group.

"When we bought the plant from the Treuhand [the agency charged with restructuring and privatising eastern German industry], we made a decision to concentrate on the local region first, otherwise transport costs would swallow up our turnover." The plant employs 421 people and had a turnover of DM59m in 1992.

But Hölzemann knows he has to look further afield "otherwise we would reach a saturation point at a very early stage. Being so close to the Polish border, we are in an ideal location. This firm had contacts with the region before 1989. We are now beginning to re-establish them. Don't forget that Russians will be building gas pipelines. There will be a need for our liquid and gas containers. We have to look to the long term".

Despite the energy and commitment of managers like Hölzemann, eastern Germany's Mittelstand continues to be inhibited by poor infrastructure, the high level of risk and uncompetitive practices. "The infrastructure is improving," Hölzemann says. "When we first came here, there were no phones, no decent meeting rooms, no accounts. You have to start from scratch."

A bigger worry perhaps is the east's competitiveness. Reid points out that partnership between industry, the banks, the states, and the unions has been slow to emerge. Had such a partnership existed immediately after unification in 1990, eastern Germany's labour costs might have provided one of the engines for recovery. But the decision by IG Metall, the country's powerful engineering union, and the employers to equalise eastern and western wages by 1995 has meant that in the short term at least the five new states are no sanctuary for low labour costs.

Deutsche Bank, which, through two of its holdings, Deutsche Industrie-Holding and Deutsche Beteiligungsgesellschaft, has invested DM146m in the Mittelstand in eastern Germany, has added its critical voice to industrial policy in the region. It deplores the degree of subsidies given to those enterprises still managed by the Treuhand.

"It will slow up the competitiveness of eastern German industry and the Mittelstand," says George Krupp, a Deutsche Bank board member. He argues that plans to establish a Treuhand-managed industrial core of companies that cannot yet be privatised will act as a brake on the development of the Mittelstand. Some Mittelstand managers even complain of dumping. "Sometimes I feel that if we do not win an order it is because Treuhand-owned firms can offer far cheaper prices," says Peter Streckmann, technical director of the Krämer plant.

Yet managers like Becker and Hölzemann are still prepared to buckle down and compete in eastern Germany. "I suppose we are here because we believe in unification and want it to succeed," Becker says. "It has to, hasn't it?"

JD

Western firms get leaner and fitter

Not surprisingly, in the country's worst recession since the second world war, Germany's Mittelstand companies are suffering. But according to the head of Germany's largest independent venture capital firm, they are not necessarily doing as badly as their bigger, stock-market quoted competitors.

"It is my impression that 50 per cent of the Mittelstand has not felt the impact of the recession at all," says Thomas Schlytter-Henrichsen, joint managing director of the German arm of 3i, the UK venture capital firm. "In fact many companies have record order-books."

Germany has 15,000 companies with turnovers of between DM20 and DM200m and only 665 quoted companies. The Mittelstand employs 75 per cent of the workforce and generates 50 per cent of non-state sector GNP.

According to Schlytter-Henrichsen the outlook is mixed. Suppliers of components to the big German car manufacturers are suffering as their customers wage war on costs. Manufacturers are demanding price cuts of as much as 30 per cent, insisting on a simplification of component supplies, and cutting the number of suppliers they are prepared to do business with.

In the machine-tool sector, a traditional stronghold of German manufacturing industry, companies are under intense competitive pressure from lower-cost Japanese rivals – and an overall slump in world demand for capital goods.

It has been suggested that Baden-Württemberg, a state in the south-west of Germany where there is a large concentration of family businesses in both stricken sectors, will be the German "crisis-region" of the 1990s.

But according to Schlytter-Henrichsen, the gloom is far from universal, especially in service-sector companies and those involved in the construction industry, either directly or as suppliers. Here, profits are continuing to rise from last year's record levels.

A survey* of 201 Mittelstand companies published recently by 3i shows 30 per cent of companies expect profits to climb again this year and another 32 per cent anticipate levels similar to last year.

An overwhelming majority – 81 per cent – plans to rationalise as a way of dealing with mounting costs. The companies think this preferable to setting up plants in countries with lower wage costs.

This rationalisation will not necessarily be at the expense of the workforce – 60 per cent plan to keep staff numbers at current levels or to expand. And 45 per cent intend to maintain capital investment at the same high level as last year.

"This is the big difference between the way German medium-sized companies and UK companies of similar size have reacted to recession," Schlytter-Henrichsen says. "German companies are still investing – albeit at a lower level – whereas in the UK investment ground to a halt.

"Many Mittelstand companies are taking advantage of the downturn to push through rationalisation measures which they could not have contemplated in better times," he says. "Profits may go down this year but not dramatically so – and when the upturn comes, the companies will emerge leaner, fitter and more competitive than ever before."

DW

**Der deutsche Mittelstand und seine Wettbewerbsfähigkeit is available from 3i (Deutschland) Gesellschaft für Industriebeteiligungen mbH, Bockenheimer Landstrasse 55, 6000 Frankfurt am Main 1. Tel Frankfurt (69) 71-0000-20; Fax (69) 71-0000-39.*

A school reunion of ideas

What does a Franco-Polish joint venture in waste disposal have in common with a British-Belgian marketing alliance in translation services?

The answer is that the entrepreneurs behind both initiatives were participants in the 1992 Euroleaders programme, an annual three- to four-week project funded by the European Commission which provides practical help and training to 20-25 innovative companies.

Euroleaders was designed to equip small and medium-sized businesses with the skills to operate on the European stage. But as Giles Trentham, managing director of the London-based translation company Wordbank, says, it is often the cross-border contacts developed on the course which can be most valuable.

Inspired by his experience, Trentham has established the Euroleaders club, a network of alumni which holds its first reunion in London this weekend. His vision is of a 250-strong group in five to 10 years' time.

The two tangible examples of co-operation are Wordbank's own alliance, to promote its translation service to international companies based in Belgium, and the Franco-Polish venture aimed at converting rubbish into fertiliser. The latter requires about £500,000, expected to come from local government sources in Poland and the EC.

The 1993 Euroleaders programme, sponsored by PA Consulting, KPMG, Publicis, Céran and the Financial Times, attracted more than 1,000 applicants. Two sessions have already been completed in Belgium and Italy, with preparation of a business plan on the agenda for the final meeting in Brussels in September.

EC officials hope to run two programmes in 1994.

Tim Dickson

Information on the programme can be obtained from the Euroleaders Secretariat, EBN, Avenue de Tervuren 188A, Brussels B-1150. Details on the club from Giles Trentham, 101 Talbot Road, London W11 2AT.

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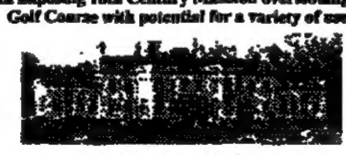

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- Two long leasehold premises in Manchester.
- Nine leasehold premises located in Sheffield, Bradford, Leeds and Halifax.
- Turnover approximately £2.5 million for the year ended 31 December 1992.

For further information please contact either Sean Hale or Richard Daszkiewicz at the address below.

Deloitte Touche Tohmatsu International

10-12 East Parade, Leeds LS1 2AJ.
Tel: 0532 439021. Fax: 0532 448942.
Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Touche Ross

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(In Administrative Receivership)

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Interested parties should contact H. Wilks, the Joint Administrative Receiver, or Craig Aitchison at the address below.

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BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS
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30 Eastbourne Terrace London W2 6LF Tel: 071-262 7700 Fax: 071-723 6059 KSF 2/DCG

GREEK EXPORTS S.A.
INVITATION

For the submission of Declarations of Interest for the purchase of the Assets of "GENERAL SUPPLYING (MANUFACTURING) S.A. ELECTRICAL & TELECOMMUNICATIONS MATERIAL INDUSTRY, PLASTICS INDUSTRY".

Within the framework of the government's privatisation policy on the basis of Law 2000/91, GREEK EXPORTS S.A., based in Athens (17 Panepistimiou Street) and a subsidiary of the HELLENIC INDUSTRIAL DEVELOPMENT BANK S.A. (ETBA S.A.), has been appointed liquidator by Athens Court of Appeal Order No. 3089/9-6-93 and intends to sell, with the procedure described in article 46a of Law 1892/1990 as supplemented by article 14 of Law 2000/1991, the entire assets of "GENERAL SUPPLYING (MANUFACTURING) S.A. ELECTRICAL & TELECOMMUNICATIONS MATERIAL INDUSTRY, PLASTICS INDUSTRY", based in Athens, and in which ETBA S.A. is a major shareholder.

"GENERAL SUPPLYING (MANUFACTURING) S.A." was founded in 1974 (FEK No 1770/31-8-74) and is engaged mainly in the manufacturing of electrical material of all kinds, low, middle and high voltage, as well as all kinds of telecommunications and electrical material.

The production installations of the company are situated in Oenophyta in the prefecture of Boeotia, on the provincial road to Dilesi. The factory has been built on a self-owned plot of land of 18,286 m^2 in area. In the afore-mentioned plot there is a three-storey building, consisting of a ground floor, a first floor, a second floor, and a smaller apartment on the roof.

The total serviceable area of these storeys comes to 5,493 m^2 and its volume to 24,343 m^3. Besides the main building, there are also small secondary constructions, covering a total of 490 m^2 in area, and 2,002 m^3 in volume. Furthermore, the company owns an office of 115.80 m^2 in area, at 25 Stournara Street in Athens, where it is based.

FINANCIAL DATA *(in thousand drs)*	1989	1990	1991	1992
Total Assets	1,452,705	1,835,273	2,026,699	1,680,782
Total Sales	743,830	1,101,172	1,040,206	678,082

Note: The above figures derive from published balance sheets.

PRIVATISATION PROCEDURE

I. Within twenty (20) calendar days from publication of the present invitation, interested buyers must submit a non-binding written declaration of interest.

II. Prospective buyers, after giving a written promise of confidentiality, can obtain an Offering Memorandum and have access to other information concerning the company for sale.

III. The announcement of the public tender for the highest bidder will be published within the prescribed time limits in the same newspaper.

For additional information, please contact:

a) The head office of E.T.B.A. S.A., Directorate of Public Holdings, 87 Syngrou Ave (2nd floor), Athens. Tel. 30-1-92.94.395 and 30-1-92.94.396

b) Greek Exports S.A., 17 Panepistimiou Street (1st floor), Athens. Tel. 30-1-32.43.111 to 5

BUSINESS FOR SALE
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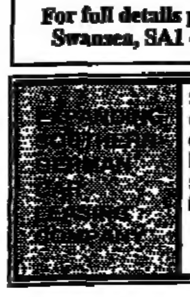
Audited financial statements are available to 31st March 1993.

For full details please contact Stones Jones, 63 Walter Road, Swansea, SA1 4PT Tel: 0792 654607 Fax: 0792 644491



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TECHNOLOGY

Serving up more tennis

Visitors to this year's Wimbledon tennis championships can avoid some of the frustration involved in watching one match while hearing the roar of an excited crowd from the adjacent court.

The Inquiry Tennis Information Service will allow them to keep up with events around the grounds using a multimedia system combining television coverage, latest scores, match schedules and player profiles.

Designed by IBM in conjunction with Wimbledon officials and the BBC to give commentators instant access to statistics and historical information, Inquiry has this year been extended to the public.

A touch-screen terminal allows spectators to watch up to three live matches in windows on the screen. It also displays data including aces, double faults, forehand and backhand winners, net points earned and total points. Historical information can be called up, too, showing players' track records and world rankings.

Other options include a rundown on matches in progress with scores from all courts and a match schedule. Visitors can use this to plan their day by entering either the name of the player they want to watch or the courts to which they have access. Souvenir hunters can take away a print-out profiling and picturing their favourite players.

Further layers of sophistication being considered include a sound system which could pinpoint the ball to within 10mm and monitor players' accuracy in hitting just short of the service-line and baseline.

John Taylor, an IBM consultant in charge of the Wimbledon project, admits that the public is still slightly reluctant to use the system but says it has already found popularity among commentators, players and coaches who use it to analyse match play and assess competitors' strengths and weaknesses.

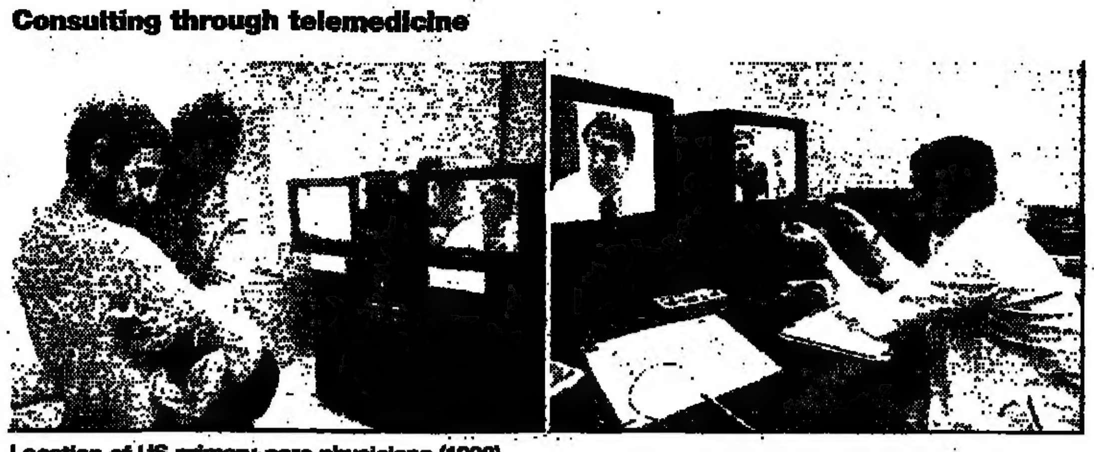
The Inquiry service available to commentators and players uses software from the Spanish company Micro Systems Lagisceta. US sports specialists Information & Display Systems developed the software for the public system.

Sarah Underwood

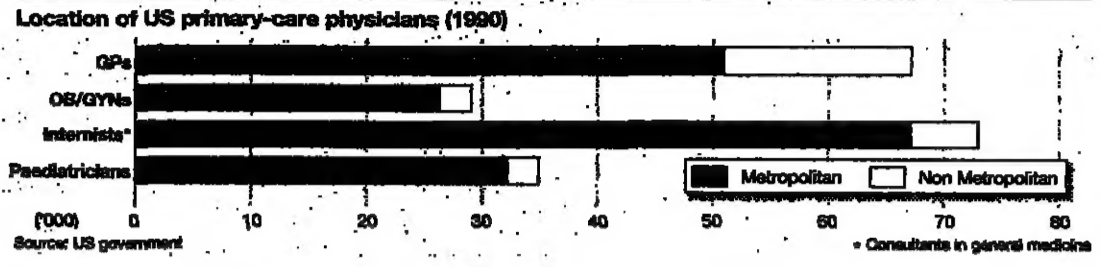
Is there a doctor on the screen?

The use of telemedicine in remote communities is only now being fully explored, writes **Barbara Harrison**

Consulting through telemedicine



Location of US primary-care physicians (1990)



Source: US government

* Consultants in general medicine

When George Walker, a physician at the Dodge County Hospital in rural Georgia, sees a patient with a difficult case, he has an option not open to most other country doctors. Instead of sending his patient to a distant, more sophisticated medical centre, he and the patient can sit in front of a video camera for a teleconference-style consultation with a specialist 130 miles away at the Medical College of Georgia.

Dodge County Hospital and the MCG are participating in an experiment with telemedicine – the application of telecommunications technology to the practice of medicine.

Although the technology has been known for years and is largely "off the shelf", according to Jay Sanders, chief of the MCG's Telemedicine Centre, its use for a variety of medical purposes is only now being fully explored. But experts say it could be an important answer to the question of how to raise the quality of healthcare in rural and other under-served areas, while at the same time reducing its cost. "We really see a great future for this," says Dina Puskin, director of the Federal Office of Rural Health Policy in Washington.

According to the US Health Resources and Services Administration, 35m Americans live in medically under-served areas. These areas fail to meet the criterion of one primary-care physician per 3,500 people or one per 3,000 people in high-need locations. Prisons and mental hospitals, where transport of patients can be costly and difficult, are also prime targets for telemedicine.

Puskin, who is also on the White House task force for healthcare reform led by Hillary Rodham Clinton, cautions, however, that while the federal government provides some funds for pilot projects in telemedicine, more experience would have to be gained before the system could be applied throughout the country.

Georgia's $350,000 (£230,000) pilot programme, which began in September 1991 with state and private funding, is the most sophisticated use of telecommunications for healthcare in the US. It includes teleconferencing and upgraded medical devices such as an electronic stethoscope that magnifies the heartbeat or the sound of lungs breathing. Other diagnostic tools such as X-rays and ultrasound images can be transmitted to high-resolution monitors for study.

The MCG is even working with the Georgia Institute of Technology to develop an electronic hand that will simulate a physical examination. The patient's doctor would don a glove to perform an examination, while the specialist, miles away, would place his hand in a sensory generator and feel the same texture, force and temperature.

The speed and accuracy of digital transmission has helped boost telemedicine's possibilities, including conferring with specialists during surgery. Walker believes that for a rural physician and his patients "communication is the major thing" that telemedicine offers. "Patients love it," he says, because they are reassured they are being cared for properly and relieved they do not have to travel far from their families and friends for treatment. Walker adds that, for him, conferring with specialists has "been a valuable educational tool".

At least 11 other states either have telemedicine programmes or are about to begin them. Many of these are relatively limited pilot projects, but the information from this wider number of experiments should help answer some of the questions about telemedicine.

The primary one is cost. Sanders says it requires a maximum investment of about $300,000 in equipment for a hospital to establish a telemedicine hook-up. By his calculation, if telemedicine keeps one patient per day at the rural hospital instead of having him or her referred to another institution, the hospital's net cash flow increases by $150,000 per year, making it possible to offset the investment in a relatively short time.

But Puskin points out that expensive obstacles can exist. Some rural areas may not yet have adequate telecommunication lines and creating such infrastructure is costly. She also says: "The financial equations will look better when the cost of equipment comes down – and the prices are coming down."

Another question for telemedicine is whether physicians will accept and use it. Sanders notes that doctors as a group have been relatively slow to use computers. And experts agree that there is little point in small community hospitals' investing in expensive technology if their doctors will not use it.

But some doctors have balked with good reason. They have been forced to fight for reimbursement from insurance plans that refuse to recognise their telemedicine services. The insurers generally have been willing to cover radiology and pathology services because the transmitted images involved in those consultations are regarded as the same as looking at the real thing. Other types of consultations do not, however, meet an insurance requirement for the "laying on of hands" and have been ruled out.

While the American Medical Association has weighed in on the side of telemedicine to win doctor reimbursement, the issue is not yet resolved. But "it will be" and in the doctors' favour, says Ted Hartman, who directed a telemedicine programme in Texas and is now an executive with insurer Blue Cross Blue Shield of Texas. "It has to be because that's the way health care will be delivered."

Once reimbursement is approved by the federal Medicare programme, which insures healthcare for the elderly, private insurers "will fall into line," predicts Hartman.

Technically Speaking

Human limits on information age

By Hugo Dixon

DOES the age of information technology need a new economics? Yes, according to Michael Rothschild, a US high-tech management guru. The invention of microprocessors and fibre-optics capable, respectively, of processing and transmitting ever-increasing volumes of information means that the old metaphors we use to understand the economy are no longer appropriate.

During the industrial age it made sense to describe the economy as an engine and think of workers as cogs in a huge machine. In order to make the economy or a company work, all that was necessary was to press the right combination of buttons or pull the right levers.

But this mechanistic mind-set has outlived its usefulness, Rothschild argued in a lecture earlier this month at the Institute of Economic Affairs, the London free-market think-tank.

It is not just the central planners of the old Soviet bloc who have discovered this. Increasingly, managers of hierarchical organisations and politicians in the capitalist world are finding that their old techniques do not produce the predictable results they once did.

The explanation, according to Rothschild, is that the explosion of information means that it is no longer possible or desirable to control companies or economies mechanistically. His alternative approach, dubbed bionomics, is to view the economy as an ecosystem. Both are "vast decentralised information networks that no one planned and no one controls – enormously vibrant and always changing".

There are interesting parallels. The methods used for encoding information in DNA are similar to computer programming language. The food chain in biology is analogous to the value chain in the economy, with part of an organisation's products being consumed by other organisations and part returning in the form of profits to enable the organisation to "reproduce" and grow.

There are also parallels between the Darwinian process of evolution through specialisation and natural selection, and the way the economy mutates. Most importantly, the key to success in both biology and economics is learning through experience. This leads to the conclusion that managers and politicians should not seek to control behaviour through bureaucratic systems but to find ways to enable their organisations to learn faster from experience.

There is much appeal in this analogy. But whether it amounts to a new economics is doubtful. Adam Smith, back in the 18th century, explained how competitive markets resulted in the survival of the fittest.

This century, the Austrian economist Friedrich von Hayek stressed that free markets fostered experimentation, learning and dynamism because individuals were able to respond to information generated at a local level.

Moreover, Rothschild is perhaps a little too gung-ho about microprocessors, fibre-optics and other gizmos of the information age. These new technologies clearly have a part in improving productivity, but they are not the whole picture.

What matters is not so much crude information as judgment. Modern executives are already bombarded with junk mail, junk faxes and junk phone calls. However fast computers are able to process information, there will still be a constraint on how much information humans can digest.

Similarly, what matters is not so much cheap channels of communication as developing long-term relationships with suppliers, customers, employees and other stakeholders. The performance of Japanese and German economies has shown the value of such long-term relationships as compared with Anglo-American short-termism. However cheap it becomes to transmit information, there will still be constraints on the number of high-quality relationships humans can maintain.

Information technology can generate wealth, but only within the limits of human psychology.

Tobacco warning rules clarified

EUROPEAN COURT

The European Court of Justice last week clarified in two cases the scope of discretionary powers available to European Community states when fixing health warnings on cigarette packets and other tobacco products.

The first case related to British rules on the size of health warnings and their compatibility with EC law. Under the terms of the tobacco products directive, all cigarette packets for sale in the Community must carry health warnings which cover at least 4 per cent of the surface of the packet.

Under the UK's rules, brought into force to give effect to the directive, health warnings must cover 6 per cent of the surface of a packet. Cigarettes imported from other EC states are deemed to comply with UK law if the health warnings comply with the requirements adopted by the exporting country in implementing the directive.

The court was asked for a preliminary ruling on whether UK regulations were compatible with the directive. It said the directive laid down common rules for the labelling of tobacco products in the Community. Some rules gave states no discretion to impose stricter requirements; others allowed a degree of discretion. Such discretion was allowed in relation to health warnings. The directive set down a minimum surface area. EC member states were entitled to increase the area to be covered.

The court accepted that its decision, which was contrary to the earlier opinion of the advocate general, might lead to less favourable treatment for national products compared with imports, but it ruled that this was an unfortunate consequence of setting out only minimum requirements on the size of health warnings in the directive.

The second case involved Italian rules on health warnings. The Italian rules require manufacturers to put two health warnings on cigarette packets and require warnings covering at least 4 per cent of the surface for other tobacco products. The court said there was no discretion under the directive to require more than one health warning.

The court said that as far as other tobacco products were concerned the directive set out different conditions than those for cigarettes. Health warnings simply had to be printed so that they were clearly legible and easily seen. There was no discretion for EC member states to impose more stringent requirements for warnings on other tobacco products.

C-11/92: R v Secretary of State for Health, ex parte Gallagher, Imperial Tobacco and Rothmans International Tobacco (UK); C-222/91: Ministero delle Finanze & Ministero dell Sanita v Philip Morris Belgium and others, ECJ 5CH, 22 June 1993.

Danish public procurement contract breached EC law

Nearly four years after the case was first lodged with the European Court, judgment was given last week on the public procurement contract for the construction of the bridge across the Grand Belt, which divides Denmark in two.

The court found the contract was flawed in two respects. First, by insisting that construction companies were to use as high a percentage of Danish materials as possible, the state-owned company in charge of the project was found to be in breach of EC law.

The court said despite the removal of the clause in question, the tendering process had been tainted and that its removals at the last stage of the operation prior to signature was not sufficient to validate the breach.

Second, the court found the successful tender had not been made in conformity with the tender offer conditions. The fact that the company in charge of operations had even considered that tender breached the fundamental principle of equal treatment.

The court said it was irrelevant that the EC directive on public procurement did not specifically mention the right to equal treatment for tenderers, as the obligation to respect the principle corresponded with the directive's very essence.

C-243/90: Commission v Denmark, ECJ FC, 22 June 1993.

BRICK COURT CHAMBERS, BRUSSELS

Long arm of American law

Robert Rice on a US antitrust case with worldwide implications

A long-awaited US Supreme Court decision in an insurance antitrust case was delivered yesterday but it has failed to provide the hoped-for guidance to foreign governments and businesses on the extraterritorial reach of US regulatory law.

The case involved complaints filed by 19 US states alleging that the defendants – four US primary insurers, two US trade associations, a US reinsurance broker and Lloyd's of London reinsurers – had violated the Sherman Act, America's main piece of antitrust legislation.

The defendants were accused of a conspiracy over a three-year period from 1984 to 1987 aimed at forcing certain other US primary insurers to change the terms of their standard commercial general liability insurance polices to conform with the policies the defendants wanted to sell.

The US district court dismissed the actions holding that the defendants were entitled to antitrust immunity under the terms of the McCarran-Ferguson Act which exempts from federal regulation "the business of insurance" except "to the extent that such business is not regulated by state law.

The 9th Circuit Court of Appeals reversed the district court decision, ruling that although the conduct involved was clearly "the business of insurance" the foreign reinsurers

The court had to address the question of the appropriate extraterritorial reach of US antitrust laws

at Lloyd's did not fall within the exemption because their activities could not be "regulated by state law," and that the US insurers had forfeited their exemption because they had conspired with the non-exempt British insurers.

The circuit court also rejected the district court's conclusion that the principle of international comity barred it from exercising jurisdiction under the Sherman Act in relation to the claims against the London reinsurers.

The principle of international comity provides that where two countries' jurisdictions are in conflict, each country must examine its own and the other country's interest in exercising jurisdiction and defer where the other county's interest is clearly greater.

At one level the case was extremely important to US businesses nearly all of which are required to carry commercial general liability insurance.

At another level, however, the case had just as much significance for European businesses and governments. In deciding whether the US courts had jurisdiction over the involvement of Lloyd's underwriters in the alleged anti-competitive conduct, it was hoped the Supreme Court would address the vexed question of the appropriate extraterritorial reach of US antitrust laws.

Yesterday the court concluded that the Sherman Act did apply to the conduct complained of and that the US courts did have jurisdiction over the Lloyd's reinsurers.

But by confining its decision to the particular facts of this case and ruling that there was no conflict between US and British jurisdiction (because Britain does not regulate the kind of conduct complained of) the court failed to provide the fundamental statement of the law on the extraterritorial application of US antitrust laws which businesses and governments on both sides of the Atlantic had been hoping for.

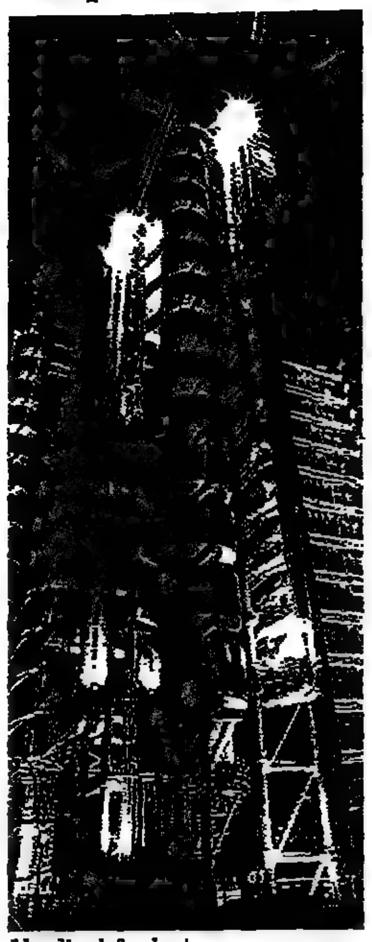
According to Mr Gary Born, a partner with US law firm Wilmer Cutler & Pickering, the extraterritorial application of US laws has long produced significant diplomatic frictions between the US and its trading partners. This is not only true of antitrust laws but also of export controls and securities laws as well.

The extraterritorial application of US laws has also aroused substantial concern in the international business community, he says.

"Extraterritorial applications of national laws often create substantial uncertainty and the risk of conflicting legal requirements. This chills international commerce and investment and can sometimes impose considerable injustice on private parties caught between national legal regimes."

For almost 200 years up to the second world war US courts relied on what became known as a "presumption of territoriality" to determine the reach of federal legislation. Unless there was a clear indication from Congress that a stature should apply outside US territory, federal legislation would be presumed to apply only to conduct within US territory.

After the war, the basic rule changed. In the Aluminum Co of America (Alcoa) case of 1945, the



Lloyd's: defendant

Supreme Court adopted what became known as an "effects test" for determining the extraterritorial application of the US antitrust laws. Abandoning strict adherence to the presumption of territoriality the court said that in future the antitrust laws would apply not merely to anti-competitive conduct on US territory but also to conduct outside US borders that has "effects" in US territory or on US commerce.

This remained the law until 1976 when, in a case called Timberlane, the 9th Circuit Court of Appeals placed a restriction on the Alcoa "effects test" which had been heavily criticised because it allowed expansive extraterritorial application of US law.

The court tempered the effects doctrine by adding a so-called "rule of reason" which equated broadly with principles of international comity. The rule of reason provided that US law would not be applied extraterritorially to foreign conduct if the balance of foreign interests in exercising jurisdiction outweighed US interests.

Given the history of the extraterritorial application of US regulatory statutes since 1945, most observers would until recently have expected the court to follow Timberlane or adopt some modification of the Alcoa effects test in the present case. In 1991, however, the court resurrected the presumption of territoriality in three cases, the most significant of which was the Aramco case, in which the court ruled that US anti-discrimination laws did not extend to discrimination against workers outside the US.

That decision left the precise extent of the extraterritorial application of US laws uncertain and business and governments were looking to the court in the present case to clarify the position.

"The court's decision on the extraterritoriality is unsatisfactory and very disappointing, " says Mr Born.

First, the court refused to address directly the question whether the Timberlane rule of reason or principles of international comity restrain the the extraterritorial reach of US antitrust laws. That will perpetuate the uncertainty which confronts international businesses and their legal advisers, he says.

Second, the court said that assuming that principles of comity do apply in the antitrust sphere, comity only applied where a direct legal conflict between US and foreign laws existed. That is an exceedingly narrow and probably unsound view, Mr Born says.

Few foreign states and businesses will be happy with the court's unanimous conclusion that the antitrust laws have extraterritorial application. The only conceivable silver lining, Mr Born says is that Justice Souter's majority opinion can be read to suggest that the antitrust laws apply extraterritorially only where foreign conduct "was meant to produce and did in fact produce some substantial effect in the US". That standard, if rigorously enforced in the lower courts, could provide limits to the extraterritorial reach of US law that some foreign observers might find acceptable.

In general, he adds, the court's opinion is badly out of step with contemporary understanding of what comity requires. "It is a result which will cause no little distress to both international businesses and the international legal community."

LEGAL BRIEFS

Mareva injunction ruling defines SIB's powers

The UK's Securities and Investments Board does not have to give cross-undertakings in damages in relation to Mareva injunctions granted to support claims for restitution and compensation, the High Court has ruled. Mareva injunctions are granted to prevent defendants removing their assets from the jurisdiction of UK courts in order to avoid a judgment.

The ruling in SIB's action against Mr Ian Lloyd-Wright, an offshore investment salesman, is widely seen as a significant definition of SIB's powers. It is the first occasion the issue has been fully argued in court.

SIB has been granted a number of injunctions restraining the movement of Mr Lloyd-Wright's assets, including one enforcing a worldwide Mareva.

Mr Justice Morritt said the Mareva was a remedy provided by statute for the benefit of the public at large or those who had suffered from infringements of the Financial Services Act. It was as much a matter of law enforcement as the granting of an interlocutory injunction, so a cross-undertaking in damages was not required.

Predatory pricing

A US Supreme Court ruling last week will make it harder for American companies to win legal actions alleging predatory pricing by a competitor designed to drive them out of the market.

By six votes to three, the court rejected a plea by cigarette maker Brooke Group for reinstatement of a \$150m award against Brown & Williamson Tobacco, part of BAT Industries. Brown & Williamson had been accused of unfair price-cutting in an attempt to drive Brooke out of the market for generic cigarettes.

PEOPLE

Old hands at James Fisher's helm

James Fisher, which controls one of Britain's biggest short-sea shipping fleets, has brought a couple of the shipping industry's elder statesmen out of lay-up to help guide it through current harsh trading conditions.

Sir David Hardy, 62, a former finance director of Ocean Transport, and Sir David Thomson, 53, a former joint managing director of the family-owned Ben Line, have been appointed non-executive directors of James Fisher and Sons.

The Cumbria-based group, which is still controlled by descendants of the founding families, has a fleet of around 30 ships and has port operations in Newhaven, Heysham, Barrow and Whitehaven.

In addition to its own fleet the firm manages another 30 vessels, including the British Nuclear Fuels fleet, and has a reputation for running safe and dependable ships. However, this expertise has not insulated it from the downturn in the industry and its pre-tax profits have fallen from £4.3m in 1989 to £1.5m in 1992. Last year it cut its dividend.

John Hornby, Fisher's chairman and managing director, says that he had wanted directors who had shipping experience but did not work for the competition. "We are at the specialist end of a very small industry," says Mr Hornby who doesn't believe that non-execs drawn from the general business world would be much help.

Sir David Hardy, who sits on the board of Hanson and numerous other companies, resigned from Ocean Transport more than a decade ago, and Sir David Thomson quit Ben Line in 1989 after 28 years with the company.

The latter's appointment is particularly appropriate since he is understood to have left Ben Line after a disagreement over the future direction of what used to be one of the great names of the British shipping industry. Since he left, Ben Line has withdrawn from mainline shipping. Meanwhile his brother, William Thomson, also left Ben Line and is now running Edinburgh Tankers.

Three Fisher directors – Mike Shields, Mike Tyrell and Terry Blyth – are stepping down from the board but will remain as executive directors.

Financial moves

■ **Yoshikazu Tamaki** has been appointed by FUJI BANK as general manager of its London branch in succession to Keisuki Yoshitomi.

■ ***Sir Michael Bunbury*** has been appointed to the Council of the DUCHY OF LANCASTER.

■ **Mark Andrews**, lending director of Granville Trust, the private banking subsidiary, has been appointed a director of GRANVILLE HOLDINGS.

■ **Patrick Butler** has been appointed by CREDITANSTALT as deputy chief executive of its London branch. He continues as head of capital markets.

■ **John Masters** has been appointed head of trading in THE ROYAL BANK OF SCOTLAND'S treasury and capital markets division. He was assistant general manager and treasurer for the State Bank of New South Wales in London.

■ **John Fordham** has joined the London office of ALEX. BROWN & SONS as director of European investment banking. He was previously md and joint head of corporate finance at Lloyds Merchant Bank.

■ **Richard Caws**, a former senior partner of Debenham, Tewson & Chinnocks and former adviser to Goldman Sachs Property Group in London, has been appointed senior adviser to the BZW PROPERTY ADVISORY GROUP.

■ **Paul Ward** has been appointed by SALOMON BROTHERS as director of investment banking with responsibility for UK corporate coverage.

Capel invests in trusts traders

James Capel has chosen another area to begin making markets – investment trusts. It has recruited two traders, who have both recently left SG Warburg, a leading broker in the sector, from September.

A well known figure in the market for many years, Bill Cornish (pictured far right), 46, built up the investment trust team at jobbers Ackroyd and Smithers, which was bought by Warburgs in 1985. He let Warburg this March.

David Cockbill (above left) is a former colleague of Cornish.

He had joined Ackroyd in 1979, and made markets in the sector between 1984 and 1992.

Unlike Warburg, which claims to make markets in all the 500 plus bits of paper (including warrants and so on) associated with the sector, Capel will "certainly not cover the whole world of investment trusts" according to Bob Benton, managing director of James Capel. Benton says he has not decided how much capital to allocate to the operation.

Davison departs

A "disappointed" Gerald Davison (right), the motor trade veteran who first made a name for himself knocking Honda's UK sales network into place as director of operations in the early 1980s, has departed as chairman of motor distributor Keep Trust.

The move follows Keep's sale by its Dublin-based parent group Fitzwilton to dealer T.Cowie for £40m.

Davison took on the Keep job in 1990 on the basis that it would be built up and floated at an appropriate time – "so its disposal has been something of a disappointment."

Early warning that Fitzwilton was deciding to step out of motor business – its £500m turnover is provided largely by cash and carry, light manufacturing and luxury goods sales – came at the end of last year.

At that time it sold off its Norfolk Finance car leasing subsidiary – chairman Gerald Davison – to US giant AT & T.

Davison, 50, who briefly stepped out of the motor trade in the mid-1980s to run Jersey's Evening Post publishing group, says he will being looking for "another challenge" in the motor industry – but he will not do so until he has finished the final polishing of his second book on Chinese art.

Calver retires

Ron Calver, 48, general manager of Norwich Union's UK life operations, is to leave the company after 10 years in that position.

Calver's duties will be covered by Phillip Scott, general manager (finance) and chief actuary, who took on the office vacated by the last NU director who took early retirement, Hugh Scurfield.

Norwich Union's directors have their work cut out for them. In 1992, its board recorded a pre-tax loss of £18m, but took comfort from the fact that the loss was significantly smaller than that recorded in the two prior years. Also, it has made progress in improving its regulatory capital.

Meanwhile, NU, renowned for flexing its muscle as an institutional shareholder on matters such as directors' pay, is mum on how much it will pay to Calver for his early retirement. Scurfield received £146,000 for loss of office last year.

Recital

Harolyn Blackwell

Looks do matter, and the way they are used matters more. On Friday, the young soprano Harolyn Blackwell (best known here from Glyndebourne performances, notably as Clara in *Porgy and Bess*) made an immediate impression of dignity and glamour as she arrived on the Wigmore Hall platform. She is slim, black, erect, and she wore a scarlet bare-shouldered gown that matched her earrings and lipstick. Her physical relaxation while singing was perfect – neck and shoulders never disturbed by any quick intake of breath – and she created an image of utterly classical repose.

In some ways, she is a classical singer. Her vowels and consonants are perfectly married, her utterance is always precise, and she enters notes cleanly. Her phrasing is so finely judged that you soon sense her intelligence, but she never becomes precious or excessively contrived.

She does not, however, sound all that she looks. Her voice is not only small, it is also lightweight. She has no chest register to speak of, and her attack is restricted. Though she can swell a note gorgeously – the final note of Norina's scena from *Pasquale* was a beautiful crescendo – she can seldom ever take a note by force, and she lacks the brio to make Norina's "Conosco" aria bounce. It is a pretty voice that often reveals real loveliness, but it usually has a tremulous kind of vibrato that robs her singing of the kind of repose that makes her appearance so appealing.

No doubt she was nervous on Friday, but a singer with her experience should not be unduly alarmed by the Wigmore Hall. Yet twice a hairline crack appeared during a sudden vocal ascent, and raised a question about the basic firmness of her breathing. Her singing of a group of Rakhmaninov songs also suggested that she had learnt the Russian words by rote, with recurrent mispronunciations.

But none of these flaws spoilt the amiable and touching feeling she created in everything she sang. Essentially, she is a Romantic, reflective and sensitive. Even when she cannot lay forth Purcell songs with the calm command you feel she intends, she remains eloquent at every point, especially in recitative. Rakhmaninov is nearer the heart of her style, and she here she revealed more variety of colour. Likewise Strauss, who suits her yet better.

She closed with *Genius Child*, a recent song-cycle written for her by Ricky Ian Gordon (b.1956). The poems (by Langston Hughes) have no great importance, but Gordon has a real feeling for words, and for lyrical singing. His style here derives chiefly from Britten and Copland. I think the music has wider contrasts than Blackwell is able to reveal, but she was most at her most assured in it. In the falling iambs of *Prayer* (strong shades of Britten's *Hymn to Saint Cecilia*), the voice was at its best – fluent, communicative, moving affectingly between shadow and light. The spirituals she sang as her first two encores were no less fine.

Alastair Macaulay

Master pourer of thick paint

William Packer reviews the work of Ian Davenport

Those who hold, as so many do, that painting is dead, mean only that for them painting is *now* all but irrelevant within the context of current avant-garde preoccupation. And for them that is the only context that matters. Neither the actual qualities vested in the work itself, nor the profundity of the personal and general truths that it might propose, are to be summoned up in its justification, but only the degree to which it is currently *engagé*, innovative, idealed. *Ask not: what is it? Ask only:* where does it lead, what does it say?

There are exceptions, of course, for painters of a certain provenance, who make the right noises, strike the correct attitudes. But how curious it is that so often they turn out to be rather more old-fashioned and backward-looking than their more conventional peers, for all the seriousness and originality of their supposed enquiry. There is no truth like an old truth, and when a way or principle of painting comes round a second time, it comes not full of truth and grace – oh that it had such virtues in the first place – but as mere pastiche and decoration.

Ian Davenport is now 27. A product of the Goldsmiths' College, he was taken up on graduation, launched on his international gallery career, nominated for the Turner Prize. And I must say at once, on the evidence of this his second major West End show, that he is a better painter, *qua* painter, than I had supposed, master of a refined if limited technique. His use of commercial household paints may give his future restorers nightmares, but for the moment what he does with them he does very well.

The trouble is that, that said, what comes to mind is Gulley Jimson's remark, when asked by his patron, Lady Beeder, what he thought of her own modest effort, that it is "rather like farting Annie Laurie through the key-hole – all very clever, but is it worth the trouble?" Davenport, like Jackson Pollock and Morris Louis before him, is a pourer, more Louis than Pollock. But here is nothing of those great, expansive sweeps and rushes of thin, seductive colour that so characterised the effortless 1960s. Davenport is much more methodical than that, his systems and processes clearly laid out, his angles set, his paint thick.

Richard Shone, in his catalogue note, tells us how it is done. "A small scaffold is placed next to the canvas which is positioned at a slight angle to the vertical. The paint is poured from a vessel with an adjustable head to regulate the breadth of each pour. Strict time is kept between the sequence of pours allowing the paint to find its way down and off the canvas... Variations in timing establish the overall tempo of each work. Decisions include ground colour, width of run, gauging of overlap, where to begin each pour, choice of colours... Broad pours give a firmer, more solid structure... slender pours are more fragile... and wayward..."

This is all fairly conventional stuff – the process that declares itself, the image that discovers itself, the therapy that indulges itself. Painting these days, so the rubric has it, has to be *about* something, and this is painting about painting, about the disciplined accident, contrived intuition, the automatic gesture. This is no mere response to experience, or feeling, or the thing seen, you understand: this is serious study and investigation.

All very clever, but is it worth the trouble? Ian Davenport at work in his studio, 1993.

And what we have at the end of it is a set of large, uniform canvases on which variegated stripes of thick pigment run from top to bottom, one overlaid upon another, now hidden, now peeping out, now fully on the surface. The colour is arbitrary and uninflected, so this can hardly be painting about colour. And it would be hard to say that it is about the handling of the paint, for there is no handling, the paint all too evidently left to shift for itself. The surface is as dull, or interesting, as commercial paint can make it. It is, as I have said, all very clever.

Quite where this leaves Davenport, other than going through the motions, is hard to say. The systematic engagement in the making of art is by now an established and honourable position. I only wish he were less mechanical and worthy in his approach to it, and the work less formulaic and predictable, more open perhaps to the opportunities for development and exploration – delicate, subtle and fleeting as they are – that even now chance puts in his way.

*

Seven British Painters is a summer gallery show from stock that shows the strength of figure-based painting in this country in the generation that has now reached later-middle, indeed in certain cases manifest old age. But age is not the point. Rather it is that at its best, work of this kind has no less claim to be considered *engagé*, advanced, experimental and, if you like, truly avant-garde, than anything of Davenport and his contemporaries.

The artists are Bacon, Freud, Andrews, Auerbach, Kossoff, Kitaj and Hockney. Two or three substantial works by each artist are shown, some early, some more recent. There are things to recommend of each of them, but the earlier the more intriguing, and the less familiar the better. A Bacon study for a Pope of 1957, a highly wrought, deathly pale and sleeping nude by Freud of 1950, a Kitaj conversation-piece of 1974 are all remarkable.

My own particular favourite in this company is the Michael Andrews of 1962, his first version of "The Colony Room" in Soho, with the writer, Bruce Bernard, in conversation with Francis Bacon and the formidable proprietress, Muriel Belcher, with Lucian Freud staring fixedly out at us, from the centre of the canvas. Unqualified by any photographic reference, it reminds us just how vigorous a painter of the figure composition, in the good old-fashioned sense, Andrews once was.

Ian Davenport: Waddington Galleries, 12 & 34 Cork Street W1, until July 3. Seven British Painters: Marlborough Fine Art, 6 Albemarle Street W1, until September 4

June in Buffalo/**Paul Griffiths**

Velcro tap-dancing

The city of Buffalo, at the western edge of New York state, has a distinguished recent history as a centre for new music. Morton Feldman taught at the university, and established short summer courses for composers that now go on as "June in Buffalo". Student composers come from around the US and beyond, to learn from senior colleagues – David Felder (Feldman's successor), Donald Erb, Bernard Rands and Charles Wuorinen this year – and to have the rare chance of working with an ensemble of highly skilled musicians. One part-concert conducted by Harvey Sollberger was exemplary. Badly composed music didn't work; good pieces – his own hair-raising "The Advancing Moment", or a string nonet by Jason Uenchi – did.

Erb was a particularly heartening, if also a monitory presence. He played tapes of his two most recent orchestral pieces, "Ritual Observances" and his Violin Concerto, and talked freely about his musical loves (Mozart, romanticism, jazz) and methods – about how "Ritual Observances" grew as a four-movement symphony out of motivic cells from the interrupted "Lacrimosa" that was Mozart's last creative effort, or how the concerto was similarly rivetted on a four-note pattern. But he is no Webern. The thrust, the boldness, the freedom and the colour are all American: his own description of himself as an abstract expressionist was close to the mark. Now how, he wondered, were these eager students he was talking to going to get on in a world increasingly set on instant gratification? Where was the place for the robust individual in, as he put it, the age of sleaze?

One answer is simple: safe in the ivory tower. The problem that faces such events as "June in Buffalo" is that, while ostensibly helping to train the next generation of composers, their real function is to bring on the next generation of professors of composition. This is sad for the world outside, but probably not so damaging to those within university composition departments if, as at Buffalo, there is room for the oddball not only among students but on the staff.

Paul Elwood, a member of the Buffalo faculty, presented himself as "velcro tap-dance soloist" in his "Edgard Varèse in the Gobi Desert", a piece that managed to be at once funny, touching and atmospheric. Velcro tap-dancing creates noise when the velcro-soled shoe lifts off the carpet ground: with amplification the expert soloist is able, through executing hectic stomps and slow turns in Tai Chi style, to create vicious tears and exquisitely protracted squeezings. These were accompanied by piano and percussion sextet, the latter doubling as chanters, clappers and bird-whistlers in what was a deeply serious dada ceremony, by no means unfitting the composer held in homage. One wonders what sire Varèse took in shoes.

The principal concert was devoted to just two 20-minute orchestral pieces, Felder's percussion concerto "Between" and Wuorinen's "Bamboula Squared", for orchestra with tape interventions suggesting some hybrid of honky-tonk piano, cymbalum and a few dozen stretched rubber bands. It was a typically spry piece, with late Stravinsky in the background. Felder's music (a duet for flautist and computer, descending from piccolo screams to the cool dark of the bass flute, was also played during the festival) is more in the Carter area, though with an unashamed, zestful seize on simple intervals. Both pieces gave the Buffalo Philharmonic difficulties, but the eventual performances were compelling and often beautiful. Now the orchestra ought to take these works into their regular season, and develop the relationships formed with the two composers. But that is not the way we are going.

Obituary

Boris Christoff

The Bulgarian bass Boris Christoff has died in Rome at the age of 75. An imposing presence, a voice of granite, he strode the operatic stage with an authority that made him the ideal exponent of the roles of kings, tsars and elder statesmen. In the Russian repertory and Italian operas, especially those of Verdi, there was nobody to equal him in the decades immediately after the Second World War.

After studying as a student of law, which he never liked, he was heard by the King of Bulgaria and given funds to study in Rome with the baritone, Riccardo Stracciari. The war years interrupted his vocal tuition and he was eventually held in a German camp for displaced persons, but in 1946 he made his stage debut as Colline in Puccini's *La Bohème* at Reggio Calabria, an appearance from which he was never to look back. A bass voice as well-focussed, as authoritative as his comes once a generation, if that.

His first performance of Musorgsky's *Boris Godunov* came in 1949 at Covent Garden. This was to be one of his two most celebrated portrayals, the other being Philip II in Verdi's *Don Carlos* (seen, most famously, in Visconti's 1958 production at the Royal Opera House). In both roles his personal magnetism was enormous, melodramatic almost in the Musorgsky, although his ability to balance the implacable outward strength of these two characters with a sensitive feel for their inner weaknesses made them rounded portraits in the fullest sense.

It was as Boris Godunov that he made his American debut in 1956 in San Francisco. By this time his career had taken in most of the world's leading opera-houses in a repertoire that extended to the main Verdi bass roles, Wagner's King Mark, Hagen and Gurnemanz, Beethoven's Rocco, and many other parts in Russian operas. If most were dominating characters, that fitted his personality. One commentator remarked that he "laughs like Mephistopheles and orders a drink with the tone of voice of Boris the Tsar". Opera managements are said to have crossed him at their peril.

The voice itself served him without fault or failing throughout his long career. Even in concert during the 1980s, it had lost none of its rock-hard steadiness. Recordings have captured its quality to fine effect and will display for posterity the range of his artistic sympathies. His Philip II, in particular, sings with quiet contemplation as well as a fearsome roar, while showing a detailed understanding of the words. His complete set of Musorgsky's songs is the work of a devoted song recitalist.

Richard Fairman

Antiquarian booksellers gather in Paris

Blowing the dust off the image of the old books trade is a major reason why 82 leading international dealers are gathering until Wednesday in the Mutualité, on Paris's Left Bank, for their sixth biennial fair.

Placed under the "haut patronage" of the country's most eminent bibliophile, President François Mitterrand, this year's Foire Internationale du Livre Ancien is the biggest ever, with 24 from abroad, including five from the US and three from London – Bernard Quaritch, B J Shapero and Sims Reed.

Professionals in the antiquarian books business regard Paris as the capital of their trade. The city has many more top dealers than London, the French tradition of book collecting is two centuries old and there is an abundance of raw material which is not siphoned off by auction houses as happens in Britain.

This year's president of the quaintly-named SLAM, which runs the fair (Syndicat National de la Librairie Ancienne et Moderne) is dealer Dominque Courvoisier, whose bookshop is near the Luxemburg Gardens, on the Left Bank – the historic heart of the Paris book trade. This year, he said, with European frontiers open, dealers are particularly anxious to present a wide range of their best books (there are some 20,000 on show) to create a good image with the public, convince them that books are affordable and generally break down their inhibitions about visiting bookshops.

According to Courvoisier, the days when the well-heeled collector patronised a single dealer are over. Nowadays, the increasing scarcity of books and bigger and better cataloguing mean that most collectors prefer to shop around. The Paris fair is expected to attract French, Italian, Belgian and German collectors, although Courvoisier says it is impossible to predict precisely who will turn up or what will sell.

Courvoisier is asking FFr75,000 (about £8,900) for a very rare beauty and hygiene manual for ladies printed in Lyons in 1531. Only a handful of copies has survived 400 years' anxious consultation by women wanting to whiten their teeth with powdered stag's horn or erase their wrinkles with a mixture of white lilies and pale honey: for similar reasons of destruction through regular use, very old books of cooking recipes are extremely rare.

Not all the books at the fair are either so rare, so expensive or, indeed, so ancient. Paris dealers, Didier Lecointre and Denis Ozanne are among a handful of specialists in the world who handle illustrated 20th century books on art and architecture.

Nicholas Powell

INTERNATIONAL ARTS GUIDE

ANTWERP

Antwerp 93 continues with a Stravinsky and Brahms orchestral concert tonight at deSingel, an organ recital by Gustav Leonhardt on Fri at **Onze Lieve Vrouwekathedraal** and stage performances from Thurs till Sun by New Artists from Johannesburg (226 9300). There is a final performance on Fri of Flanders Opera's production of Manon Lescaut (233 6685)

AMSTERDAM

Muziektheater Tonight, tomorrow, Thurs, next Mon: Dutch National Ballet in Peter Wright's production of Giselle. Fri, Sat: choreographies by Toer van Schayk and Laurie Booth (625 5455)
Concertgebouw Tonight: Zoltan Pesko conducts Radio Symphony Orchestra in works by Gorecki, Tortensson, Ives and Varese. Tomorrow: Gerd Albrecht conducts Royal Concertgebouw Orchestra in Janacek and Schumann. Fri: Yuri Bashmet directs Radio Chamber Orchestra in Haydn, Reger, Mendelssohn and Bruckner. Sat: Bella Davidovich plays Schumann's Piano Concerto with Limburg Symphony Orchestra. Sun: Combattimento Consort with Ton Koopman. Next Mon: Hans Vonk conducts Radio Philharmonic Orchestra in Prokofiev and Tchaikovsky, with piano soloist John Browning (671 8345)

ATHENS

Odeon of Herodes Atticus Tonight and tomorrow: Ivan Fischer conducts London Philharmonic Orchestra, with soloists Leonidas Kavakos and Steven Isserlis. Thurs: Athens State Orchestra (322 1459)
Epidaurus Sat and Sun: Aristophanes' Lysistrata. July 10, 11: Euripides' Medea. Tickets are available daily at the Athens Festival box office (322 1459) or at Epidaurus on Thurs, Fri and Sat (0753-22006)

CHICAGO

RAVINIA FESTIVAL
Tonight's concert is given by Harry Belafonte and the festival orchestra, followed tomorrow by Preservation Hall Jazz Band. David Zinman conducts Chicago Symphony Orchestra on Thurs (Mozart, Liszt and Tchaikovsky), Fri (Liadov, Tchaikovsky and Rakhmaninov) and Sat (Brahms), with soloists including Misha Dichter, Sarah Chang and David Geringas. Boris Berman gives a piano recital on Mon, followed next Tues by The Temptations and The Four Tops. The festival runs till early September (Tel 312-728 4642 Fax 708-433 4582)

COPENHAGEN

The next two weeks of concerts at **Tivoli Gardens** are devoted to chamber music. Emerson Quartet plays a Beethoven cycle, Peter Schreier gives two Schubert song recitals, and there are concerts by Stockholm Chamber Orchestra, Drottningholm Baroque Ensemble and Soloists of the Moscow Conservatoire (3315 1012)

LONDON

THEATRE
● Sunset Boulevard: Andrew Lloyd Webber's new musical, directed by Trevor Nunn. Now in previews, opens July 12 (Adelphi 071-344 0055)
● Oleanna: British premiere of David Mamet's powerful drama about sexual harassment and political correctness. Harold Pinter directs a cast led by David Suchet (Royal Court 071-730 1745)
● Separate Tables: Peter Bowles and Patricia Hodge star in Peter Hall's production of Terence Rattigan's play (Albery 071-867 1115)
● Much Ado About Nothing: Shakespeare's romantic comedy starring Janet McTeer and Mark Rylance. Previews from Thurs, opens July 6 (Queens 071-494 5040)
OPERA/DANCE
Coliseum Tonight's gala performance by Kirov Ballet opens a month-long season including the first London performances of Lavrovsky's Romeo and Juliet, Konstantin Şergueyev's staging of Sleeping Beauty, plus Swan Lake, La Bayadére and Le Corsaire. Daily except Sun (071-836 3161)
Covent Garden This week's repertory consists of The Cunning Little Vixen conducted by Bernard Haitink and Attila starring Samuel Ramey. July 6: revival of Don Giovanni. July 13: Eugene Onegin (071-240 1066)
Sadler's Wells Tango Para Dos, a tango troupe from Argentina, is in residence till July 10 (071-278 8916)
CONCERTS
South Bank Centre Tonight and Thurs: John Eliot Gardiner conducts concert performance of Le nozze di Figaro, with Bryn Terfel and Alison Hagley. Fri: Gardiner conducts members of English Baroque Soloists in works by Mozart. Sun: Oscar Peterson (071-928 8800)
Barbican Thurs: Valery Gergiev conducts RPO in Debussy and Musorgsky, with Sergei Leiferkus. Fri: Grieg 150th anniversary concert. Next Tues: royal gala with David Essex (071-638 8891)
City of London Festival The festival opens on Sun and runs till July 21 at various venues in the Square Mile. The programme includes performances by European Community Chamber Orchestra, London Mozart Players, Stephane Grappelli and the Alan Price Band (071-248 4260)

MILAN

Teatro alla Scala Tomorrow, Fri, next Mon.and Thurs: Riccardo Muti conducts the Strehler production of Falstaff, with a cast led by Juan Pons. July 13: first of seven performances of Tancredi (7200 3744)

ROME

ROMAEUROPA
This year's two-week festival opens on July 5 and includes a strong dance programme, headed by experimental Belgian choreographer Anne Teresa de Keersmaeker, Nederlands Danstheater and Jonathan Burrows Group. Rudolf Buchbinder and Georges Pludermacher give piano recitals, and visiting ensembles include Klangforum Wien and Zurich New Music Ensemble (4890 4024)

TURIN

Teatro Regio The Royal Ballet opens a two-week dance festival on July 7 with four performances featuring Kenneth MacMillan's Mayerling and Anthony Dowell's production of Swan Lake. Other guest companies include Les Ballets de Monte Carlo and LaLaLa Human Steps (8815 241)

WASHINGTON

THEATRE
● Phantom of the Opera: Andrew Lloyd Webber's musical, directed by Harold Prince. Till Aug 28 (Kennedy Center Opera House 202-467 4600)
● Strindberg in Hollywood: Drury Pifer's poignant comedy in which the 19th century playwright gives his view of American morality today. Till July 18 (Woolly Mammoth Theater 202-393 3939)
● Lend Me a Tenor: a farce of operatic lunacy by Ken Ludwig. Opens next Tues, till Aug 1 (Olney Theater 301-924 3400)
● The Twilight of the Golds: Jonathan Tolins' witty family drama with moral, emotional and physical undercurrents. Till Aug 1 (Eisenhower Theater 202-467 4600)
● Five Guys Named Moe: musical celebration of the 1940s jazz musician Louis Jordan. Till July 18 (Ford's Theater 202-347 4833)
MUSIC
Blues Alley Jazz Supperclub Daily till Sun: vocalist Phyllis Hyman (1073 Wisconsin Ave, in the alley, 202-337 4141)
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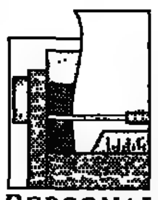


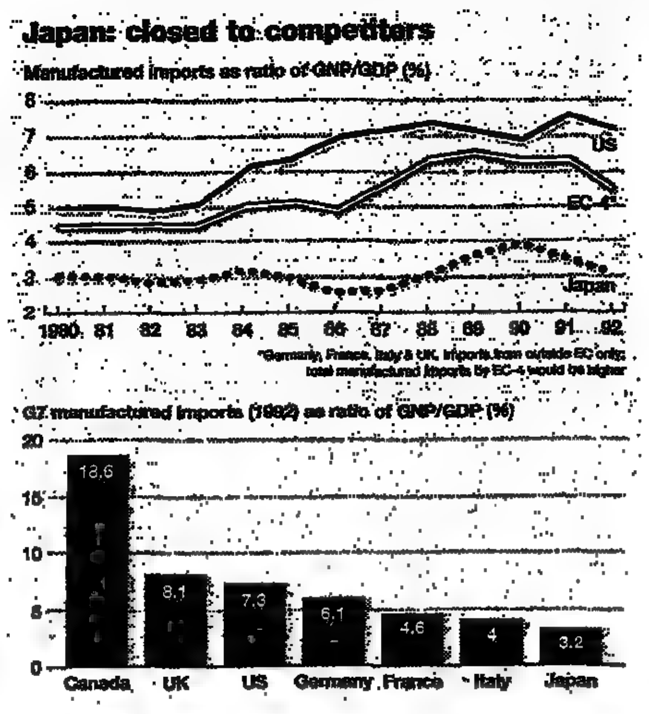
PERSONAL VIEW

Now is the time to spend

Japan must boost demand-led growth and open its markets

The US and Japan are committed to strengthening and renewing their partnership by adopting a new economic framework. This approach recognises that strategic continuity in the relationship will require economic discontinuity – a fundamental change in Japan in the way economic integration is promoted and its benefits shared.

The US is concerned with two enduring features of Japan's relationship with the world economy. Japan has an imbalance problem – a chronic external surplus rooted in macroeconomic forces. And it has a penetration problem – a peculiar resistance to foreign goods, services and investment that cannot be explained by benign factors like geography, a modest endowment of natural resources, or the competitiveness of its producers.



Excessive current account surpluses are always a global problem, because they invite pressures for protection. In today's global economic environment where demand is limited, with America and Europe consolidating their fiscal positions and the world suffering below-par growth, Japan's *growing external surpluses are* particularly significant.

What the world needs from Japan now is a sustained period of domestic demand-led growth, making Japan a net provider of, rather than a net drain on, jobs elsewhere.

The extra demand that would be created by a return of the Japanese current account surplus to its historically average level of 1¼ per cent of gross national product would be enough to create more than $60bn in additional exports from the rest of the world, which would translate into an extra 1m-2m jobs.

A reduction in the surplus of this magnitude is a prudent and realistic objective for the Japanese government. Indeed, a more ambitious objective of reducing the surplus from its 1990 level of 1.2 per cent of GNP was embraced by the Japanese government in 1991.

Fiscal expansion to spur domestic demand and reduce the current account surplus is consistent with Japan's long-run and short-run objectives:

- Japan still has by far the largest fiscal cushion in the Group of Seven leading industrial nations. Even after the last two stimulus packages, Japan has a structural general government surplus, and the net stock of outstanding public debt is negligible in relation to GNP unlike the rest of the G7. Inflation is under control and excess capacity is growing.
- Consumption-led growth fuelled by fiscal policy measures will not lead to asset price bubbles. The bubble economy in the late 1980s was not caused by too much growth in domestic demand; witness relatively stable inflation. It was caused by excessive liquidity and savings, which were the consequence of excessively tight fiscal policy and loose monetary policy.
- Increased infrastructure spending is a better way to prepare for the challenge of an ageing society than the prodigious accumulation of low-yielding financial assets.
- Right now, the world needs Japanese demand much more than it needs Japanese savings. The barrier to increased investment in the industrialised and the developing world is low capacity utilisation and low investment demand, not an inadequate supply of capital.

Credibility is like capital. Accumulating credibility for fiscal rectitude is not particularly valuable unless you are occasionally prepared to spend some of it. If there was ever a time in Japan, that time is now.

Japan has frustrated foreign businessmen even in years when its surplus was relatively low. Because of its low level of import penetration, the market share of imported manufacturing goods in Japan is only half what it is in the US or the European Community.

Some people misinterpret these statistics as evidence that Japan is more competitive than its competitors. That may be tempting, but it is not compelling. In a broad range of high-tech manufactured goods, US manufacturers outstrip Japanese producers in third markets, but cannot get a foot in the door in Japan.

Japan's closed market and the hostility it engenders is a significant threat to the multilateral trading system. As long as Japanese trade barriers keep foreign products out and Japan continues to run large surpluses, it is difficult to mobilise support for reducing trade barriers in other countries.

In line with its commitment to multilateralism, America's goal in the ongoing negotiations on a new economic framework is to open Japanese markets for the benefit of producers from all countries. Trade barrier reduction is sought solely on a most favoured nation basis.

The focus of the new framework is on results, not because of any desire to cut special deals for US producers unable to make it on their own, but to ensure that market outcomes are allowed to prevail. Contrary to some suggestions, the US is not proposing hair trigger retaliation based on single market share targets for uncompetitive US producers. But, the ultimate test of any trade agreement is the changes it brings about. And it is difficult to see any other way than by looking at benchmarks to monitor progress.

The US government is not seeking to manage trade. That would be wrong – damaging to its own interests and to the whole trading system. But it is right to try to unmanage trade.

Removing discrimination by the government in procurement is not managing trade. Expanding opportunities for foreign producers in markets where they face anticompetitive business practices abetted by the government is not managing trade. Increasing the number of operating licences granted to foreign companies in regulated industries is not managing trade.

The lesson of trade negotiations with Japan is that exceptional measures are sometimes necessary. There are areas *where the liberalisation of formal* trade barriers has not been accompanied by improved performance by competitive foreign producers, thus further deterring those companies from investing in Japan. This chicken and egg problem may require a temporary jolt, to give foreign companies the opportunities they would enjoy in fully competitive markets.

The US-Japan economic partnership over the past 45 years has been as productive as any economic alliance in history. Both countries must do their part to ensure equal success in the future.

Lawrence Summers

The author is under-secretary of the US Treasury for International Affairs. This article is adapted from a recent speech to the Keidanren, the business leaders' federation, in Tokyo.

Joe Rogaly

Sad about Uncle Sam

If you have been a knee-jerk pro-American all your life, the weekend attack on Baghdad may have come as a disappointment. It did to me, and I suspect it has to others.

It has certainly broken the tripartisan consensus that, until this week, prevailed in Britain. The Labour opposition, which rejoiced at President Bill Clinton's victory last November, is in a twist over his policy in Iraq. This may not surprise Conservatives who regard Labour and the Liberal Democrats as inherently anti-American. Yet in yesterday's brief debate one Conservative backbencher warned of adverse Arab reactions, while another noted the contrast between the robust intervention in Iraq and the lack of anything like it in Bosnia.

Mr John Major's immediate expression of support for the US strike will be applauded by most Tory MPs. Like Mr David Howell, chairman of the foreign affairs committee, they view state-sponsored terrorism as such an overriding threat that almost anything done in the name of preventing it is justifiable. My guess is that the prime minister's endorsement of US policy will not do him *much good outside that circle.*

I have been a fellow-traveller with the United States ever since I became politically conscious: a supporter of its role in Vietnam at a time when the then young and unheard-of Bill Clinton was declaring his opposition to that tragic venture, an opponent of the ugly anti-Americanism that has marred much post-1945 debate in Europe, an admirer of former president George Bush's skill in assembling a 26-nation coalition to prosecute the Gulf war, a citizen of the developed world who was initially pleased to see the same president dispatch a contingent of his troops to rescue starving Somalis from the grip of thugs and warlords.

In short, *I have followed* the stars and stripes. This has been the traditional stance of those of us who were brought up to value the Atlantic alliance. In this century American blood has been spilled, twice, to rescue Europe from German domination. Yankee treasure was poured into *the effort that* protected us from the Soviet Union for 45 years. It defeated the odious and threatening Communist empire. If it were not for the United States, we Europeans would not be free today. So why murmur and *fidget now?*

The deeper cause of our unease is that President Clinton appears to believe that technical mastery is a foreign policy

Sunday morning's raid is the proximate cause, not the whole explanation. The unilateral firing of 23 Tomahawk cruise missiles was, in the most moderate language of which I am capable, an inappropriate response to a failed assassination attempt. There was no immediate necessity for the action. There would have been if, say, an Iraqi aircraft had attacked a US warship. That would trigger the self-defence provisions of article 51 of the UN charter. A punitive raid, authorised by the Security Council, may yet be necessary if Iraq is to be forced to comply with the ceasefire agreement by which it is still bound. President Saddam Hussein remains anathema to most of us; legitimate attempts to bring him down can only be applauded.

The botched Bush bomb plot was no such thing. It would have been better to await the outcome of the current trial of 11 Iraqis and 3 Kuwaitis in Kuwait. The defendants are charged with conspiring to kill Mr Bush. Prove their guilt, and then go after their masters. Better yet, approach the UN Security Council before, not after, giving the order to launch the missiles.

That said, the raid itself *could* be written down as one incident in the incompleted war against President Saddam.

Viewing events from the eastern side of the Atlantic, it *is, however,* natural to suspect that a weak president was seeking to strengthen his political position at home by showing bravura abroad. The foreign secretary, Mr Douglas Hurd, disagrees. Yet the noise from Washington yesterday was of Mr Clinton receiving praise from Congress and the electorate. A common US-based observation was that the president, who has never worn a uniform, has at last won the admiration of his previously sceptical generals. Who knows, he may also have earned the respect of foreign governments in advance of the forthcoming meeting in Tokyo of heads of government of the Group of Seven leading industrial nations.

This, too, might be dismissed as no more than a jaundiced interpretation of the US political scene.

The deeper cause of our unease, of the shifting around in our seats, is that President Clinton, whose understandable desire not to be distracted by international affairs is well known, appears to believe that technical mastery is a foreign policy. The use of missiles and high-flying aircraft is "surgical"; if there is "collateral damage" – that is, if civilians are killed – the lives lost are not American. Policies that involve a serious risk to US forces are not contemplated.

Three decisions he has taken bear this out. In Somalia, the *US contingent sent in* by president Bush has handed responsibility to the UN, which has been supported by US air strikes. In Bosnia the Clinton proposal was to attack Serbian supply lines, from the air, and lift the embargo on sales of arms so that the Moslems may defend themselves. This long-distance plan was better than anything the Europeans have come up with, but it was opposed by France and Britain, which have troops on the ground, and Russia, which has historic links with Serbia. President Clinton proved unable, or unwilling, to overcome their objections.

He might have done so, had he been forceful enough. The British government was afraid that the Americans would insist on their strategy; had the US been adamant the foreign office would have advised *acquiescence. Chancellor Kohl* was willing, as he indicated at the recent European Council meeting in Copenhagen. In sum, a strong president with a clear conception of global strategy based on enforceable principles, might have led an alliance that could check Serbian expansionism.

President Clinton has the brains for such a task but it is apparent that his reading of history dictates other priorities. He will do what can be done by electronic means, as he has in Iraq. He has yet to demonstrate that he knows of any framework of decision-making that might replace the certainties of the cold-war era. Uncle Sam will continue to look after us, but not everywhere, not every time, not predictably, not at any price.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
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Identity no substitute for mission

From Mr Andrew Campbell.

Sir, I want to take issue with Mr Ahlstrom's letter ("Mission in need of more than written message", June 18) linking mission and corporate identity.

He states that companies, particularly those with little physical presence such as "City organisations", need a clear "corporate identity" to help communicate their missions. "The company must not only sound as though it knows where it is going, it must also look it."

Research at the Ashridge Strategic Management Centre has led us to a rather different conclusion. If an organisation has a mission, if the people in the organisation have a sense of mission about what they are trying to do and how they are going about doing it, that mission will be plain for all to see. Mission statements and corporate identities will be redundant.

If the people do not have a sense of mission, no amount of corporate identity can compensate. Using a clear corporate identity to mask the lack of a shared sense of mission will not work.

Andrew Campbell,
director,
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No basis for French accusations about Attali's downfall

From Prof Richard Portes.

Sir, Mr Roland Dumas, former foreign minister of France, *accuses* the "Anglo-Saxon establishment" of bringing about the downfall of Jacques Attali ("Attali quits as EBRD chief 'in bank's interest'", June 26). *Je regrette* – only Mr Attali himself is responsible. The "Anglo-Saxon" press – yourselves in the lead, to your credit – merely brought the facts to light. Indeed, you missed some, such as Mr Attali's responsibility for losing to the World Bank Prof Michael Bruno, former governor of the Bank of Israel, who had accepted appointment as European Bank for Reconstruction and Development chief economist and then withdrew.

All this is very sad, for EBRD and Mr Attali. For some time, I strongly defended both, Mr Attali because he brought excellent people to the bank and because he was an eloquent public voice for eastern Europe and the right western policies for dealing with the region. Your own editorial columns have strongly endorsed, for example, his views on opening western markets to the east. Those who saw no need for the bank ignored the historic importance of its mission and the unique profile of its activities. And with an African Development Bank, an Asian Development Bank, and an Inter-American Development Bank, what was anomalous or superfluous about the EBRD?

Last autumn it was the "Anglo-Saxon" conspiracy behind the troubles of the exchange rate mechanism and the franc. From Raymond Barre to Pierre Bérégovoy and President Mitterrand's *chef de cabinet*, we heard the absurd story of Wall Street and the City of London leading the speculative attacks, inspired by Washington and the UK Treasury. Then *Le Figaro* defended Mr Attali against the Anglo-Saxons after your initial revelations. Now Mr Dumas expresses what will doubtless become conventional wisdom in Paris.

In retrospect, perhaps the University of London was *wrong in awarding Mr Dumas* an honorary degree, at a time when I sat on the relevant committee. It is even more unfortunate that the Anglo-French relationship, whose cause we believed he had served, has been weakened by foolish, thoughtless, entirely unsupported utterances of this kind. Mr Dumas should instead have criticised the arrogance of power and the indiscretions to which it led in the government in which he himself participated.

The bank will survive. Under good leadership, it has an important part to play in the economic transformation of eastern Europe and the creation of a dynamic, integrated European economy.

Anglo-French friendship will also prosper – indeed, we are told that relations at the official level have dramatically improved since March. I sincerely hope so, since, like many others in the UK, I am francophile and francophone. But to promote that friendship we must vigorously protest instant falsifications of history by our "friends".

As for yourselves, Sir, you are entitled to say: *"Nous ne regrettons rien."*

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Grading as a tool for marketers

From Mr James R Adams.

Sir, Gary Mead ("More than just ABC", June 24) is, of course, correct in writing that the old system of socio-econ*omic grades is inadequate* for today's marketers. The 56m or so Britons cannot be sensibly divided into six categories for most marketing purposes.

But there is nothing new in this. As long as I can remember people have been making this accusation, and it has always been true. Nevertheless, socio-economic grade has been *one* of the factors helping marketers to define their targets, along with sex, age, region and (sometimes) psychological measurements.

All of these have two different functions. In the first place they are used to help media planners decide which advertising media should be used. In the second, they help creative people to decide what kind of message should be used.

The former task is actually best performed by the use of a single-source survey, such as BMRB's Target Group Index. This tells you directly the best way to reach your target through the media. And if it turns out that this is through a combination of the FT and The Independent, you already know some important things about your market. Added to this should be specific study of prospects in the market, certainly including qualitative research.

As the contributors to Gary Mead's article were suggesting, generalisations are dangerous. But this is just as true if they are based on an attitudinal segmentation of seven groups, as on a socio-economic segmentation of six.

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Answer for GM simple

From Mr Karl Ludvigsen.

Sir, The solution to the problem of funding General Motors' Saturn Corporation ("Saturn profit poses funding dilemma – A milestone in the history of GM's innovative sports car", June 24) is all too obvious: issue a tranche of shares in the company to the public and institutions. Saturn was founded by GM as a stand-alone company capable of directing its own destiny. Now that it is turning the corner GM should be willing to allow outside investors to participate so that Saturn can realise its full business potential – thereby benefiting GM as well.

Such a strategy would enhance Saturn's stand-alone authority and responsibility and help accelerate its long-overdue export programme. The global fame of this pioneering project is not yet being significantly exploited in markets outside North America.

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Industry must get into mêlée of education

From Dr Neil A Downie.

Sir, Michael Dixon's article, "Self-imposed stranglehold on recovery" (June 23), makes the important point that what matters most in the wealth of nations is knowhow, but that Britain's universities are all about the "know-why". An example might be the ratio of technical staff in manufacturing – scientists are a fraction of 1 per cent. Even in my own very high technology field – semiconductor manufacturing equipment – the number of people who need to know why are far outnumbered by those who need to know how.

Part of the reason for Britain's emphasis on know-why is cultural, but part is also due to the small role industrialists, and particularly manufacturers, have taken in directing policy in education and science.

At least in science and technology education and R&D, the time may now be right for manufacturers to involve themselves. The new white paper, Realising Our Potential – the first government paper on this for many years – is all about encouraging manufacturing industry to participate. New mechanisms will be set up, such as Technology Foresight, led by the Office of Science and Technology, while existing mechanisms such as the CASE (Collaborative Awards in Science and Engineering) and the Teaching Company Scheme will be extended. The future wealth of this nation depends upon industry getting into the mêlée of education and science policy rather than whingeing from the sidelines.

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FINANCIAL TIMES

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Tuesday June 29 1993

Steady as she grows

PRESIDENT CLINTON'S new communications director, David Gergen, had a rule for the Reagan White House: keep it simple, even when it is not. The American economy has been hard to decipher in recent months, but the simple message is one of steady growth. If Mr Clinton has difficulties getting that across, few of his OECD colleagues will sympathise.

The prospects for the US economy are still sturdy. Consumer price inflation has now averaged 3.5 per cent for the first five months of 1993, with worrying early figures appearing to be more blip than trend. The numbers for domestic output have also wandered, but the basic improvement is worthy, if dull. The economy looks likely to achieve 2.5 to 3 per cent growth this year. The pace is certainly slower than in previous postwar recoveries and job growth, too, has been lower. But it is a better performance than in any other major industrial country. Can Mr Clinton realistically hope for more?

There are three factors which are keeping US growth forecasts sober: shaky consumer confidence at home, the dismal state of major economies abroad, and realism about what the economy can sustain without inflation. In the short term, at least, none of these is likely to go away.

When news of the recovery seemed finally to be confirmed at the start of the year, observers expected fewer mood swings from US consumers and companies. Buying and hiring has stayed cautious, however, largely through uncertainty about federal tax increases and healthcare reform. Things will become a little clearer if a deficit package is finally passed in the coming weeks. But to the extent that the implications hurt America's biggest spenders, few would expect the added clarity to boost sales.

New pessimism

If he cannot expect much consuming zeal at home, prospects are bleaker in Europe. Indeed, the contrast in fortunes now seems even starker than first thought. The dollar's recent rise against the D-Mark is a sign of the new pessimism. It is difficult to believe that a differential of 4.5 percentage points between US and German short-term rates can be sustained much longer.

The Japanese picture is only a little better, with or without current political uncertainties. The Japanese fiscal stimulus and the somewhat managed climb of the yen will eventually improve conditions for US exports. But the continued sluggishness of the Japanese economy and the effects of appreciation are likely to make the trade picture worse before it gets better. None of Mr Kantor's protests in Tokyo can change the fact the US and Japan are at different points in the economic cycle, and will be for a while yet.

Less hesitant

The president may be disappointed that he cannot offer Americans a recovery like the heady upturn of the mid-1980s. He should not be. Inflationary fears have been easy to ignite in recent months, partly because there may be limited room for manoeuvre in the US economy. Alan Greenspan understands this well. The Federal Reserve recently reduced its own estimate of US capital stock growth over the 1980s, from 2.4 per cent per annum on average to 1.7 per cent. This means that there is less spare capacity in the economy than previously thought. As important, it means that Mr Greenspan will be less hesitant to raise interest rates if inflationary pressures look worrying. He must move in that direction sooner rather than later if long-term rates are to stay down.

So what can Mr Clinton hope for? The answer is an investment-led recovery, like that of the past few quarters. It will not be fuelled by government cash, since Congress has axed most of his public investment plans. And capital may not flow from Japan as easily as it once did, though Mr Clinton can hardly lament that if he is consistent in his war on the trade imbalance. Further cutting the federal deficit – which frees up domestic funds for private investment – would do most to give the recovery stamina. But little can be done to make it dramatic, or produce speedier job growth. It should, however, be a more sustainable recovery than any in recent memory. Even the most embattled president ought to find that a source of relief.

Abolishing the gas monopoly

BRITISH GAS is one of Britain's more blatant monopolies. It has the exclusive right to sell gas to the vast majority of British households, it dominates the market for industrial gas, and it controls access to the country's main gas pipeline system.

By the end of next month, the Monopolies and Mergers Commission is to decide whether British Gas's domestic monopoly is in the public interest. It will also, in practice, consider the case, rejected at privatisation, for breaking up the company. The first of these questions is discussed today, the second will be examined in a subsequent editorial.

The case for abolishing the domestic monopoly is compelling. Competition would provide customers with choice, give British Gas a greater incentive to cut costs and lead to greater innovation. Electricity companies, for example, have expressed interest in entering the market and providing customers with joint gas and electricity packages – a move which could cut substantially administrative, customer service and billing costs. The introduction of competition would also bring nearer the day when regulation, which has been a source of such conflict in the gas industry, could be relaxed.

Security of supply

British Gas, however, is opposed to releasing its monopoly grip. It has a number of arguments. One is that security of gas supplies is better assured in a centrally-controlled system where one entity is responsible for keeping gas flowing. Another is that British Gas would be unable to maintain its social obligations if exposed to competition. These obligations include requirements to supply anyone who pays the bill and to charge all domestic customers the same unit price for gas wherever they live and however much gas they use.

British Gas argues that such obligations are only possible because a third of its 18m customers bail out the other two-thirds to the tune of £250m a year. In a competitive market, rivals would simply cherry-pick the most profitable business, leaving British Gas with all the obligations.

To anyone who has followed British Gas's long rearguard action against reduction of its monopoly, these are familiar arguments. They are concerns which need to be addressed but they are not reasons to hold back competition, so long as competition takes place on a level playing field.

The experience of the multiple-supplier electricity system, which operates on much finer margins than gas because it cannot store power, shows that security of supply is possible in a competitive market. Similarly, experience in the telecommunications industry shows it is possible to maintain social obligations while introducing competition.

Ponderous giant

One way of preserving them would be to require rivals to contribute to British Gas's "social costs" in proportion to their market shares. But it is also important to ask whether it is really necessary for one group of gas consumers to subsidise another. In the longer term, the best approach would be to phase such subsidies out.

A further argument used to defend British Gas's monopoly is that customers have not done badly since the company was privatised in 1986. Gas prices have fallen by 20 per cent in real terms, while surveys show customers are satisfied.

British Gas has indeed improved its operations under the discipline of private-sector ownership and regulatory pressure, but this is no reason for complacency. The company remains a ponderous giant, slow to respond to change and to bring down costs, particularly when compared to the electricity industry where competitive pressures are sharper.

British Gas's management has set its sights on becoming a dynamic international, entrepreneurial company. It is still some way from achieving this transformation and so long as it remains protected from competition it will lack the best possible spur to do so. The company is right to argue for the interests of its shareholders with the Monopolies and Mergers Commission, but properly handled, the abolition of the domestic monopoly need hold no terrors for British Gas.

Can UK superstores beat off a sharp challenge from discounters while improving profitability, asks **Neil Buckley**

High noon on the high street

At Castle Bromwich in the West Midlands, shoppers face a choice that will confront increasing numbers of UK consumers in the 1990s. On one side of a car park is a Safeway superstore, offering almost 20,000 high-quality products, many at premium prices; on the other is a branch of Aldi, a German discount retailer, offering 600 of the most popular products at rock-bottom prices.

The UK's "big three" food retailers, which stress quality, choice and convenience more than price, have bounced through the recession with ever-growing profits. Continuing a 10-year trend, Sainsbury's pre-tax profit rose 17 per cent to £733m last year; Argyll, owner of Safeway, was up 9 per cent to £417m; and Tesco gained 7 per cent to £581m.

But the strength of their results has led to allegations from MPs and consumer groups that operators of superstores – large supermarkets of more than 20,000 square feet – are using their market power to overcharge consumers and make excessive profits. There are also fears in the City of London that the superstores' ability to sustain the profits growth of the past decade could be undermined by the rapid expansion of the price-led discount retailers.

A study by McKinsey, the management consultancy, warns that UK retailers risk a sharp decline in profitability unless they use increases in efficiency to provide lower prices to consumers. It says the UK faces similar market conditions to those in the US, including increasing price sensitivity among consumers and competition from discount outlets.

Critics say the benefits of recent efficiency improvements have not been passed on to consumers. Rather, superstore operators have used these improvements and the "screwing down" of prices paid to farmers and other food producers to double their profit margins in the past decade.

The big three's operating margins – broadly a measure of how many pence they make on each £1 customers spend, after subtracting operating costs – have increased to 7 or 8 per cent, while margins for leading grocers in the US and continental Europe have been held at 2 or 3 per cent. That, claim the critics, means the UK's biggest grocers could cut their prices by up to 6p in the £1 and still perform as well as their overseas counterparts.

Although Sir Bryan Carsberg, director-general of fair trading, rejected a recent call from Mr Nigel Griffiths, Labour's consumer spokesman, for an investigation of the big supermarkets' pricing policies, profits and treatment of suppliers, he added that he would keep the matter under review.

But are the allegations of overcharging accurate?

Taking profits as a proportion of sales, there is no doubt that the big UK retailers make a better return than their continental European rivals, with operating margins three or four times as high.

UK grocers, however, say they have held their price increases below the overall rate of inflation over the past decade and have increased operating margins by improving efficiency and reducing costs.

They point to a series of measures that have improved their performance:

- The big grocers have shifted towards trading from large superstores, where there are greater economies of scale in labour, sales and distribution costs.
- They have reduced rental costs by investing more in freehold, rather than leasehold, property.
- The superstore operators have also increased their sales of high-margin goods, such as fresh and prepared foods.
- They have cut costs by centralising distribution and investing heavily in technology, such as laser scanners at check-outs linked to computers that automatically monitor stocks and re-order goods.

"UK food retailing systems are the envy of Europe," says Mr John Beaumont, chief executive of the Institute of Grocery Distribution, an industry research and advisory body.

But what most sets the UK's big three apart from continental European competitors is the importance they attach to own-label products, which account for more than 50 per cent of sales by value at Sainsbury, Safeway and Tesco.

In many UK and overseas chains, own-label has usually meant poor-quality imitations of branded goods. The top UK grocers have improved the quality of own-label products so much they can compete directly against proprietary brands.Because they do not have to bear the same distribution, advertising and promotion costs as brand manufacturers, retailers can sell own-label goods at 15 per cent below branded equivalents and still achieve a similar cash profit, says Mr David Webster, Argyll's deputy chairman.

Own-label is also set to be a powerful weapon in any war against the discounters. Sainsbury has recently given presentations comparing favourably the quality and price of its own-label products with manufacturers' branded products at Kwik Save, the largest discount food chain.

But does this mean the big three are now making bigger operating margins than they need to and so overcharging customers?

The grocers answer that the high investment needed to expand in the UK compared with continental Europe means their operating profits have to be higher if they are to achieve similar returns on their investments.

Taking profits as a proportion of capital employed in the business, Sainsbury, Tesco and Safeway argue their return is not out of line with that of most continental European grocers.

Some of the higher investment was through choice: the superstores decided to invest in freehold property and build to a very high standard. However, some of the higher spending was forced on them by higher land and construction costs in the UK than in Belgium, France or Germany, for example.

In these conditions, says Mr Roger Ramsden, manager of the consumer and retail practice at the Boston Consulting Group, the management consultancy, UK grocers would achieve a lower return on capital than their European counterparts if they reduced their operating margins. This would discourage investors from putting money into UK grocers.

"The end result would simply be a less effective food retailing sector," he says.

UK grocers say they have held prices below inflation and raised margins by improving efficiency and reducing costs

Some industry analysts, however, challenge the grocers' arguments that it is mainly efficiency that is allowing them to boost operating margins.

Mr Robert Clark, director of Corporate Intelligence, a retail market research group, believes it is partly because their gross margins – the difference between the price customers pay for goods and the amount the goods cost the retailer – are higher than those overseas. Gross margins are not a subject UK food retailers like to dwell on, and accounting differences between the UK and continental Europe make it difficult to draw comparisons from the published accounts.

But Mr Clark says his research shows that UK gross margins average 27 per cent, outstripping most European food retailers by several percentage points.

Research is inconclusive on whether UK consumers pay more for their food than people in continental Europe. Fluctuating exchange rates and the difficulty of comparing like products with like mean price comparisons between different countries can be misleading.

However, one reasonably authoritative survey carried out for the Financial Times in January by Nielsen, the market research company, found UK retail prices for a range of common European brands were 17 per cent lower than the average for 14 European countries. UK prices were the cheapest in every product category except alcoholic drinks, which are heavily taxed in the UK. But the results of this survey were influenced by the devaluation of sterling last September.

Superstore operators say their real achievement has been to keep prices competitive overall, while transforming the eating habits of the nation – introducing many products unknown in the UK 10 years ago – and offering customers unprecedented standards of quality and service.

"We don't have 535 superstores in the UK because of some fantasy on the part of the retailers that said we ought to have them. People like shopping in them," says Mr Beaumont.

Discounters are forecast to increase their UK food market share from about 9 per cent now to 15 per cent by 1995

There are now fears in the industry and in the City, however, that the rise of the discounters may put an end to the seemingly inexorable expansion and profits growth of the superstores.

The number of cut-price grocery chains in the UK has risen from two in 1990 to 14, with European discounters – including Germany's Aldi, Denmark's Netto and France's Ed – joining new UK entrants.

Discounters make money by concentrating not on margins but on shifting large volumes of goods. Margins, prices and costs are all kept as low as possible. The format may prove very attractive to the post-recession consumers of the 1990s.

Most forecasts see discounters increasing their share of the food market from about 9 per cent now, to 15 per cent by 1995 and to more than 20 per cent by the end of the decade.

To achieve that market share, they must grab sales from their competitors. But most observers believe it is the so-called middle market – including both independent grocers and weaker chains such as Gateway, Waitrose and the co-operative retailers – which will suffer the most. They argue there will still be enough customers for whom quality, choice and convenience are as important as price, and this will ensure that the big three will not lose many sales.

However, anecdotal evidence suggests that some superstores are already being hit by discounters which have opened nearby.

Institutional investors, which paid out £2.2bn in rights issues in 1991 alone to fund expansion by superstore operators, are growing nervous that the returns on those investments may be lower than projected. Food retailing shares have underperformed the stock market by 10 per cent since January.

Tesco is seen as the most vulnerable. It has a younger customer base, which has been hit harder than those of its rivals by the recession and which may be more susceptible to the charms of the discounters.

There are also fears that the growth of the discounters will foster a new price sensitivity among consumers that will force all retailers, including the big three, to sharpen their prices.

"It is hard to see how the margin growth of the last few years can continue at the same rate," says Mr Nick Bubb, retailing analyst with Morgan Stanley, the US investment bank.

Food retailing shares have also been depressed by another nagging fear: that the the food market is becoming saturated. There is only a certain number of superstores that can be built before they start to "cannibalise" each other's sales.

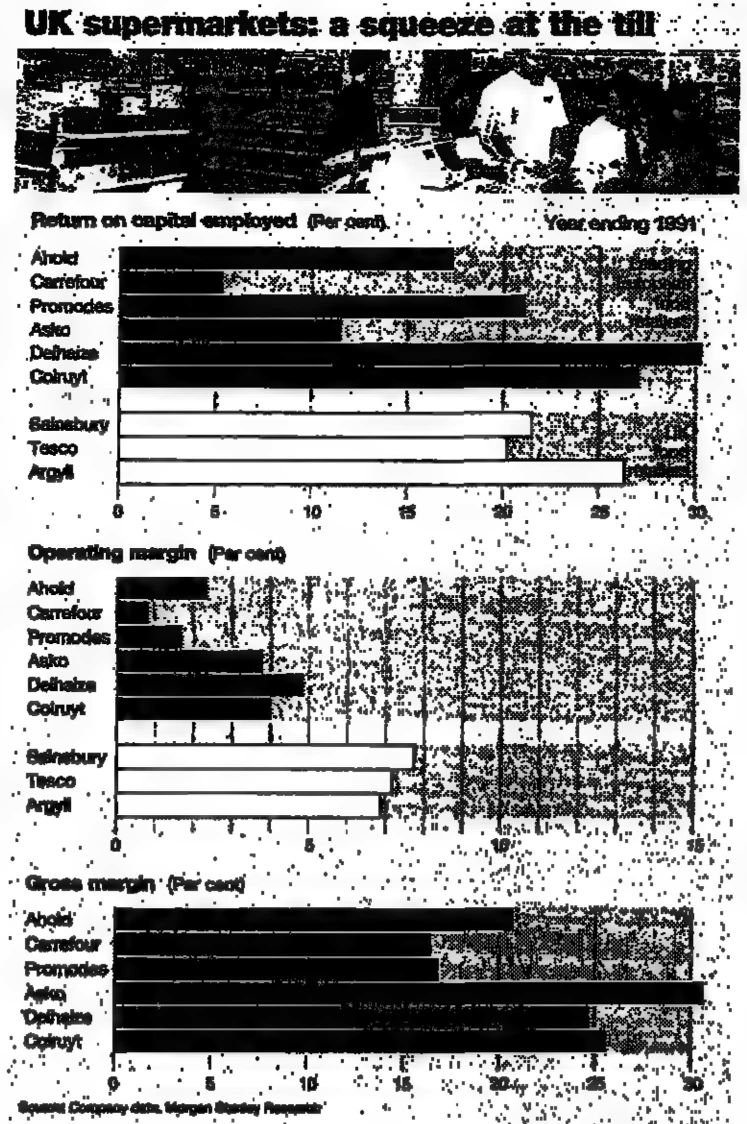
The big three each say they have identified 100 or more suitable sites for superstores, enough to keep them going for several years. Mr Bill Myers, food retailing analyst at institutional brokers Henderson Crosthwaite, found in a recent demographic survey of the UK that the highest proportion of food retailing floor space held by the big three in any town in the country was 45 per cent. In many areas, it was less than 10 per cent. This suggested there was still considerable room for expansion.

But the large grocers say that cannibalisation of sales is already occurring, and each has indicated it may need to diversify or move offshore. Tesco has bought 94 supermarkets in northern France; Sainsbury has the Shaws chain in the US; while Argyll is developing the Lo-Cost discount format alongside Safeway.

Retailers are fond of demonstrating the rapidly-changing nature of their industry by citing Asda, the pioneer of superstore retailing in the UK. It began the 1980s as one of the UK's most successful grocers, with the highest margins, but ended the decade in severe financial difficulties after moving away from its traditional low-price policy and over-spending on expansion.

However dominant the big three grocers might seem to be, observers suggest they must walk a tightrope on their pricing and spending – and watch the discounters like hawks – if they are to avoid a similar fate.

UK supermarkets: a squeeze at the till



Source: Company data, Morgan Stanley Research

Typical UK supermarket chain's average gross margins 1991-2

Overall average margin 27.0%

Food:		Including:		Non-food:	
Groceries	24.0%	Bakery	51.0%	Household goods	[illegible]
Provisions	26.8%	Meat	26.5%	Clothing	45.8%
Average	25.5%	Produce	34.5%	Average	37.5%

Source: Corporate Intelligence Group research

OBSERVER

Time for a new bruiser

■ When the going gets tough, the messenger often gets used for target practice. President Bill Clinton was quick to replace his spin doctor when he ran into trouble and now there is talk that Gus O'Donnell, John Major's helpful press secretary and personal confidant, might be on the way out.

A couple of weeks ago he was being blamed for everything that was going wrong. Now he is being accused of threatening to jump from the sinking ship of state. Yesterday he was trying to brush off the speculation about his future and said that he expected to remain in his post "for some time". However, one can understand why he might change jobs sooner rather than later.

O'Donnell has long made it clear that he does not regard his current job as the apex of his career. Unlike his predecessor, Sir Bernard Ingham, O'Donnell has another career waiting. He is a successful economist, although his work on forecasting the balance of payments may have raised a few eyebrows. He could still be a contender for the top job at the Treasury. But given that he has turned 40 and has a young family, there is every reason to suggest he may return to the quiet Treasury life before the next general election, or even sooner if the right job arose.

Who might replace him? Jean Caines and Adrian Moorey, chief flacks at the DTI and Home Office respectively, have been mentioned, as has Romola Christopherson at Health. All have good political antennae and a rapport with lobby journalists that would bring echoes of the professional abrasiveness of Sir Bernard.

Indeed, there are plenty of Tory MPs who would like nothing better than to see the lobby correspondents roughed up a bit by an old pro like Sir Bernard.

James capable

■ Sticking out like a sore thumb as the only big agency broker left in London, James Capel can sometimes sound a trifle pompous about the merits of its independence.

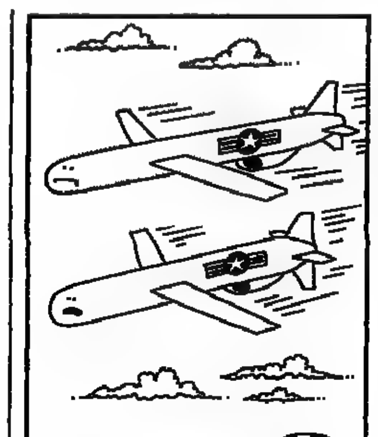
But it looks as if the realities of life (and the profit and loss account) are beginning to tell and it has recruited two Warburgs men to start making markets in the £19bn investment trust sector. Previously it has managed to argue the case for making an exception for options, convertibles, continental Europe and, er, HSBC stock. The longer and more diverse the list, the more porous the argument becomes.

Party line

■ It is hard to know who was more gloomy about Russia's prospects – Vladimir Bukovsky, one of Russia's most famed dissidents, or Vasily Aksyonov, the emigré writer. "The more often I come to this country the less hope I have of its revival", moaned Bukovsky to a meeting of Russian scholars yesterday. Aksyonov opined that Russia's renaissance was impossible without the West's assistance.

Neither of these two distinguished writers, who quit Russia because of their anti-communist beliefs, saw much to celebrate on their return. Bukovsky said that his country's revival was impossible while it was still being led by former communists, or "kleptocrats" as he prefers to call them.

This sort of talk clearly upset Sergei Stankevich, one of President Yeltsin's aides, who angrily insisted that Russia would revive, would not need Western assistance to do so, and would find its own "Euro-Asiatic way" to a glorious future.



'I don't know anything about international law – I'm only a missile'

Money doesn't talk

■ John Campbell's monumental biography of Sir Edward Heath will be published on Thursday and has already been criticised, notably by Lord Jenkins of Hillhead, for being far too long. On one subject, however, it is remarkably briefmoney.

Campbell writes that when Heath became party leader in 1965 "it seems that his personal finances were discreetly managed for him and his money well invested.

The Tory party has ways of ensuring that its leader is not financially embarrassed." Apart from adding that the main reason Heath could afford to sail was that he was unmarried, that's about it.

Clearly the party's backers of the 1960's were more discrete than those of twenty years later.

Princely task

■ When is the Prince of Wales going to recruit somebody who really knows about business to advise him?

Matthew Butler, the new assistant private secretary responsible for the Prince's interests in industry and commerce, doesn't sound much different from his predecessors.

He is the latest in a line of bright young things who have been seconded to the Prince's private office because they supposedly knew something about business. Lord Hanson lent the Prince a youthful Rupert Fairfax for a couple of years, and Fairfax was followed by Guy Salter, a former personal assistant to Sir Ralph Halpern in the days when he was running Burton. Both were well connected public school boys in their twenties.

Butler, like Hugh Merrill who is returning to British Telecom, is little more than a high-powered pr man, having done stints looking after the public outpourings of the Industrial Society, Vickers and most recently Allied Dunbar, the financial services firm.

But at least he went to a northern grammar school and has been found by a professional firm of head hunters.

Flush with funds

■ The latest promotional wheeze from Andrex is to offer to pay off three families' mortgages in full (and to meet a further 50 families' payments for a year). Special vouchers can be found in selected rolls of toilet paper.

Is this proof at last that the property market has touched bottom?

FINANCIAL TIMES
Tuesday June 29 1993

EC orders catalysts for new vans and minibuses

By David Gardner in Luxembourg

NEW PASSENGER vans and light goods vehicles in the European Community will have to be fitted with catalytic converters from next year, environment ministers decided yesterday. That will put them on the same footing as cars and lorries.

Ministers were also aiming to reach a political deal setting even more stringent emission targets for cars for 1996 and 2000, which carmakers say would add 5 per cent to manufacturing costs.

The emissions regime for cars, in force since January, is now extended to new models of van from October, and all newly registered vans from October 1994. It covers vehicles carrying up to nine people and goods vehicles under 3.5 tonnes. Broadly, present standards seek to cut emissions of carbon monoxide, nitrogen oxides, hydrocarbons and carbon particulates by 85-90 per cent from 1970 levels.

Only the Dutch dissented on the vans decision, but from a "greener" standpoint. The Netherlands, with Germany and Denmark, wants better tax incentives for cleaner cars than now allowed in order to cut emissions faster.

Britain, France, Spain and others fear that too big "green" tax discounts might distort competition in the EC's single market.

Although there is consensus on the European Commission's approach to cutting vehicle emissions, disagreement over fiscal incentives loomed last night as a barrier to an early accord. Under the present vehicle regimes, incentives have to be "substantially lower" than the cost of the technology needed to reach the emissions standard.

In spite of car manufacturers' cost forecasts, many EC environment ministries maintain that it is impossible to gauge now what the technology cost of 1996 emission standards – let alone targets for 2000 and after – will be.

Chances of a deal were further diminished because the European parliament has not yet supplied its opinion, meaning that ministers would have to decide unanimously.

Parliament may be holding out for a greater say in shaping the deal once the Maastricht treaty is ratified. But when car emission standards were set two years ago, Strasbourg missed the chance to write in the 1996 targets then – which Brussels and the Twelve were disposed to accept – because it failed to muster a quorum of MEPs for the key vote.

Ministers also agreed on measures to control emissions from petrol distribution and vehicle refuelling, and were due to discuss better fuel quality as part of the new generation of emission controls.

There was hope, too, of agreement today on cutting emissions such as sulphur dioxide and hydrogen chloride and fluoride, through cleaner burning of industrial waste. That might imply upgrading all existing incineration facilities within three years, as well as controls on industrial plants such as cement works which burn waste as a fuel supplement.

Boeing to challenge Airbus with improved 737 range

By Paul Betts, Aerospace Correspondent, in London

BOEING, the world's biggest manufacturer of commercial jets, is on the verge of offering airlines a new family of improved 737 twin-engine airliners to challenge the European Airbus consortium's range of twin engine aircraft.

Although the 737 has been the world's best-selling jet with more than 3,000 aircraft ordered to date and more than 2,500 delivered, Boeing has faced increasing competition in this market from the Airbus A320 and its bigger A321 derivative.

The Boeing board was meeting in Seattle yesterday to consider giving the go-ahead to the company to offer airlines an improved family of 737 jets.

This is expected to be followed by a formal decision to launch the new 737 programme if Boeing secures sufficient initial orders for its new narrowbody jet family.

US aerospace industry officials said Boeing was likely to go ahead with the programme early this summer.

With the new aircraft Boeing is seeking to challenge Airbus, which has made inroads in the narrow body market by launching new and more advanced airliners.

Airbus last year struck a significant blow against Boeing by winning a $2bn order for 50 A320 jets from United Airlines, a traditional Boeing customer.

Airbus also raised the competitive stakes this month when it launched at the Paris Air Show the development programme for the A319, a smaller 125-seat version of the A320.

The new 737 derivative aircraft Boeing is studying is expected to involve a new wing, improved power plant and new advanced systems to provide more range, speed and payload to compete against the improvements introduced by the Airbus 150-180 seat narrowbody jets.

The US company also considered developing an entirely new aircraft rather than a 737 derivative.

But Boeing appears to have rejected this option on the grounds of market timing and of the much higher development costs for an all new aircraft programme.

The cost of developing a completely new narrowbody aircraft is estimated at $3bn-$4bn, while the cost of an improved derivative is put at about $1.5bn.

Balladur wins small business backing

Continued from Page 1

recession is driving the conservative government into intervention as well as deficit, Mr Balladur said he intended to shorten the duration of credit which supermarkets could demand from their suppliers – thereby probably forcing them to raise their prices – and to make it harder for new supermarkets to open.

One of Mr Balladur's first acts on taking power in April was to order a six-month freeze on the opening of new supermarkets. Small shopkeepers, who complain of unfair supermarket competition, are a core constituency of his RPR Gaullist party.

However, in line with the EC Copenhagen summit's stress on the need to keep Europe's labour costs down, the government has announced that France's minimum wage will rise on July 1 by only half the average real increase in purchasing power. Much of the country's unemployment has been blamed on the tendency of the minimum wage to rise far faster than average wages, as well as on the high welfare charges heaped on to company payrolls.

Meanwhile, the government faces an awkward dilemma on privatisation, due to start being debated in parliament last night after approval in the senate. The finance committee has tabled an amendment restricting any special "golden share" which the government takes in a privatised company to eight years, on the grounds this was long enough for such government tutelage.

In the previous 1986-88 privatisation round, the government limited its "golden shares", allowing it to prevent foreign takeovers, to five years.

But this time the government has sought the right to retain "golden shares" indefinitely – as the UK government has done – partly because it is putting up for sale sensitive companies such as Aérospatiale, maker of its nuclear missiles.

British weather hits profit from peat

By James Buxton, Scottish Correspondent

MONTHS OF flood conditions in the peat bogs of Scotland followed by a long spell of wretched gardening weather in the suburbs of England caused shares in a leading maker of potting compost to fall 15 per cent yesterday.

As the sun shone and temperatures soared into the 70s, Mr Tom Sinclair, chairman of William Sinclair Holdings, reflected sadly on a combination of events which obliged the company to issue a profits warning to the London Stock Exchange.

Last summer was so squelchy in the company's peat bogs in Scotland that it could not cut the usual amount of peat for making into compost.

The reduced harvest would have been just about sufficient, if it had been possible to move it. However, in February and March this year when the time came to shift it the weather was so wet that the company's machines became bogged down in the mire.

"They've had double the normal rainfall in that part of Scotland in the past 12 months – 55 inches," Mr Sinclair said.

To meet demand, the company had to buy in peat from other suppliers. But then came the miserable weather that affected most of Britain in May and early June which meant that gardeners could not get to their flower and vegetable beds to dig in the annual injection of compost.

"You have to put it in during May and early June," says Mr Sinclair. "After that it's too late. In England and Wales we've had the wettest May for seven years."

Sales of J. Arthur Bowers compost, William Sinclair's brand, were sluggish in the crucial weeks as gardeners shunned the garden centres.

Turnover in the entire British gardening market has been down 8 or 9 per cent this year, Mr Sinclair says.

William Sinclair does not extract peat from picturesque, environmentally sensitive areas of the Scottish Highlands and Islands but from diggings close to former coal mines in the prosaic landscapes around Lanark and Falkirk in central Scotland.

It has not been affected by controversy over the extraction of peat from sites of special scientific interest which has enmired Fisons in Yorkshire and aroused the ire of the Prince of Wales.

William Sinclair, based in Lincoln, central England, told the stock exchange yesterday that because of "cold and wet weather conditions" affecting its horticultural division, pre-tax profits for the year to June 30 would be 15-20 per cent below last year's £4.6m.

However, he said that the pet, aquatic and household products division had shown solid growth and the board intended to maintain its dividend.

THE LEX COLUMN

Thorp's weak glow

From electricity too cheap to meter to nuclear power stations which fail to find private buyers, atomic accountancy has a pretty shabby record. So it is right to greet British Nuclear Fuels' claim that the Thorp reprocessing plant will be a moneyspinner with scepticism. All the more so since it refuses to disclose the details of its calculations or contracts. Accountancy of deferred costs and contingent liabilities is a notoriously slippery subject – as firms such as British and Commonwealth have found out to their great cost. Far more information is needed to form a judgment on Thorp.

BNF's public case for preferring Thorp to the alternative of storing fuel assumes that the capital costs of the plant are excluded since they are already spent. Yet even when the capital costs are, in effect, written off, the government is hardly rushing to apply market tests to the reprocessing plant.

If Thorp is such a good deal, why are private companies not to be invited to tender for the project to recoup some of the money already spent? Why are so many in the electricity industry privately sceptical about Thorp? Why has Scottish Nuclear opted for dry storage of spent fuel once its existing contract with BNF expires?

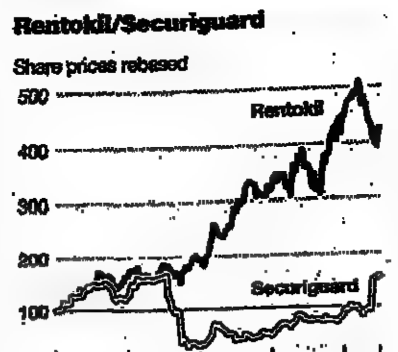
The worry must be that Thorp is not all that BNF cracks it up to be. BNF's cost-plus contracts are also under threat with Nuclear Electric and Scottish Nuclear trying to turn existing contracts into fixed-price deals. Other customers may follow suit. If they do, will the contingent risks lie with the government or BNF? Until such issues are resolved, there is no case for starting Thorp. If a suitably robust market solution is not found, there may never be.

Rentokil/Securiguard

Rentokil's bid for Securiguard has reached the delicate stage following the latter's interim figures yesterday. Securiguard's 36 per cent rise in first-half earnings and promise of a 22 per cent dividend increase looks designed to prise out more cash. Rentokil has to be careful. It cannot afford to lose its first contested bid, but nor, assuming it will need more than just bolt-on acquisitions from now on, can it be seen to be a soft touch.

If the sole criterion was to avoid earnings dilution in the first year, Rentokil could afford to increase its bid to well over 350p from its initial 270p. But that would smack of desperation and implies a price out of line with Securiguard's underlying growth prospects. There must be doubts about the sustainability of the 135 per cent first-half growth in its communications business. The personnel division is still losing money and prison services have not made any yet at all.

FT-SE Index: 2897.0 (+9.5)



Source: FT Graphite

Rentokil faces an uphill struggle in bringing Securiguard's margins of between 5 and 6 per cent in cleaning and security closer to its own norm of around 25 per cent. To generate the requisite growth, the acquisition must also open the possibility of increased volume. Security, a new activity for Rentokil, might unlock some opportunities but success is far from certain. At least the stability of Securiguard's share price suggests yesterday's figures will not force Rentokil to put a substantial increase on the table.

Japan

The Japanese government bond market is caught between political uncertainty and favourable economic fundamentals. Having retreated since the grip of the Liberal Democratic Party was called into question, real yields of around 4.4 per cent at the longer maturities are back close to the five-year average. Yet even on the rose-tinted view of recovery favoured by the authorities, inflation is unlikely to rise much above the current 1 per cent. Since the Japanese currency has now resumed its upward march, the chances are that a strong yen will add to the cyclical pain. That points to the kind of sluggish recovery in which bonds flourish.

If political deadlock prevents a further fiscal stimulus this year, the Bank of Japan might respond with another cut in interest rates. That is unlikely to bring inflationary pressure while domestic demand remains so weak.

As elsewhere, investors may move to longer maturities in search of income as short-term rates are cut. Given Japan's relatively comfortable government finances, bond yields could again fall below 4 per cent.

Political reform may even prove favourable in the longer term. Liberalisation of agricultural markets and greater import penetration favoured by some of the break-away parties might result in lower consumer prices, for example. Given the respectable showing of the LDP in Tokyo's local elections, it would not do to take anything as bold for granted. But there is nothing in the emerging political chemistry which should spread gloom across the bond market.

Tate & Lyle

Tate & Lyle's investment in the Slovak Republic represents a small lump in its corporate sugarbowl. But the move illustrates how food manufacturers in mature economies are becoming increasingly reliant on developing markets for growth. Tate's big presence in Anglo-Saxon markets precludes further acquisitions in sugar and starch. Eastern Europe and the Pacific Rim are therefore assuming ever greater importance. The shift of focus inevitably raises Tate's risk profile, suggesting its earnings stream may be less highly rated. A forward multiple of 11 already places Tate below the market average.

The immediate worries are understandable. But European and US food markets will experience little volume growth in coming years. Western companies which can successfully exploit developing markets should, if anything, command a premium rating. Comparatively small investments will bring disproportionate returns. Not only will they allow companies to service fast growing domestic demand. If trade is liberalised, low cost plants in countries such as Hungary or Mexico will be ideally positioned for export growth. The prizes will go to companies that can successfully manage the risks in developing markets. Nestlé, Coca-Cola and Unilever lead the way. Tate, which also has to wrestle with what is essentially a commodity business, still has some way to go to establish its credentials.

FT WORLD WEATHER

Europe today

A high pressure area over the North Sea is weakening slowly, but still dominates the weather in northwestern Europe. In the Low Countries, northern France and England it will be rather sunny and warm. Ireland will have more cloudiness associated with a frontal system. In Scotland there is a risk of some rain or drizzle.

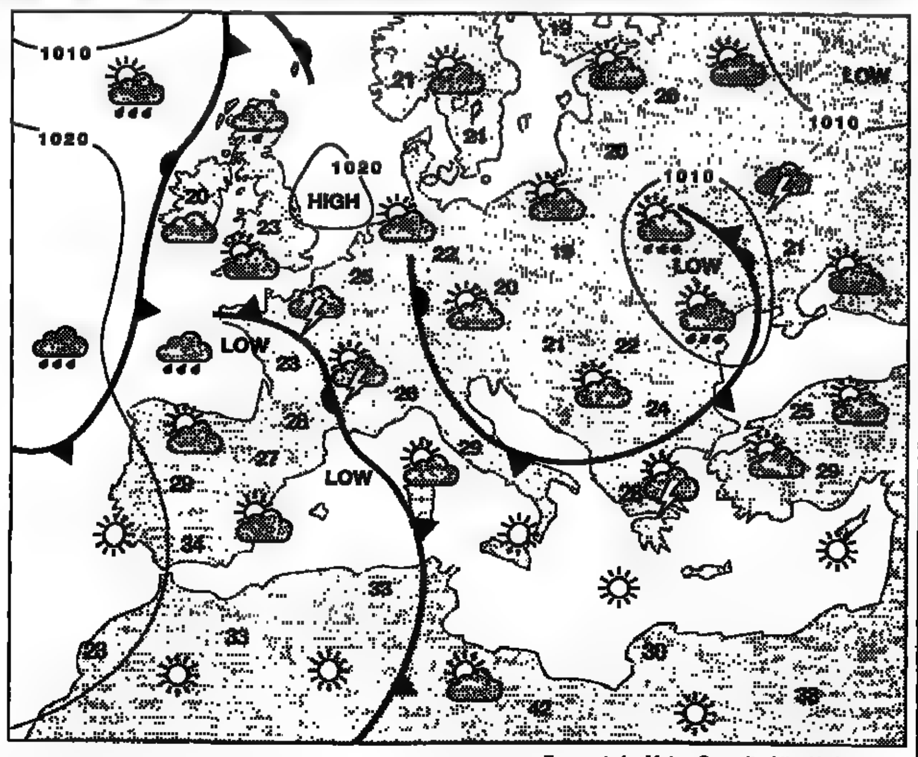
A thundery low over France will move slowly to the northeast. In the warm and moist air some thunder storms will develop. Southern Spain and Portugal will continue warm and sunny.

A complex low over Russia will cause cool and showery conditions in eastern Europe. Only Greece and Turkey will continue warm and rather sunny.

Five-day forecast

Wednesday will continue warm and rather sunny in the North Sea area. However, depressions near Iceland become more active and later this week they will extend their influence over the west and north of Europe. Central parts of Europe, will continue warm, but unsettled with thunder storms.

Most of the sunshine and highest temperatures will be found in the south and southeast of Europe.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum	Berlin	fair	23	Chicago	fair	27
		Celsius	Bermuda	sun	27	Cologne	fair	25
Abu Dhabi	sun	40	Birmingham	fair	23	Copenhagen	fair	21
Accra	cloudy	30	Bogota	fair	20	D' Salaam	fair	27
Algiers	fair	33	Bombay	fair	33	Dakar	fair	29
Amsterdam	sun	22	Bordeaux	thund	23	Dallas	fair	36
Athens	fair	30	Brussels	sun	24	Darwin	fair	32
Bangkok	thund	35	Budapest	fair	21	Delhi	fair	34
Barcelona	fair	27	Buenos Aires	cloudy	14	Dubai	sun	39
Beijing	fair	28	Cairo	sun	34	Dublin	fair	20
Belfast	cloudy	20	Cape Town	fair	18	Dubrovnik	sun	29
Belgrade	fair	21	Caracas	shower	29	Edinburgh	fair	22

Faro	sun	25	Majorca	fair	32	Rangoon	fair	31
Frankfurt	fair	27	Malta	sun	33	Reykjavik	shower	11
Geneva	thund	27	Manchester	fair	22	Riyadh	sun	41
Glasgow	cloudy	22	Manila	fair	31	Rome	sun	29
Hamburg	fair	21	Melbourne	fair	15	S' Francisco	cloudy	22
Helsinki	shower	19	Mexico City	cloudy	22	Seoul	cloudy	25
Hong Kong	cloudy	31	Miami	sun	34	Singapore	cloudy	29
Honolulu	fair	31	Milan	fair	28	Stockholm	fair	19
Isle of Man	fair	19	Montreal	fair	24	Strasbourg	sun	27
Istanbul	shower	25	Moscow	fair	20	Sydney	fair	18
Jersey	cloudy	17	Munich	fair	23	Tel Aviv	sun	31
Karachi	fair	36	Nairobi	cloudy	22	Tokyo	rain	25
Kuwait	sun	44	Naples	sun	31	Toronto	sun	24
La Paz	fair	28	Nassau	sun	30	Tunis	sun	37
Las Palmas	fair	25	New York	shower	27	Vancouver	shower	20
Lisbon	fair	24	Nice	hazy	26	Venice	fair	25
London	sun	25	Nicosia	sun	32	Vienna	fair	23
Los Angeles	fair	26	Oslo	fair	23	Warsaw	fair	19
Luxembourg	fair	28	Paris	fair	27	Washington	fair	30
Lyon	thund	28	Perth	fair	18	Wellington	fair	11
Madeira	fair	24	Prague	fair	22	Winnipeg	shower	24
Madrid	fair	29	R' de Janeiro	cloudy	23	Zurich	fair	26

Local area networks are commonplace. But they are challenging and can be costly

Radio links may spur identity crisis

THE Local Area Network (Lan) is a fact of life in any organisation faced with the need to tie PC users together. But while the Lan has become commonplace, it still throws up technical and business challenges.

The very fact that computer networking is now taken for granted contributes to the growing cost of keeping Lans up and running.

One recent study commissioned by Computervision Services suggests that as much as 17 per cent of IT expenditure is now swallowed up in supporting Lans after installation. But the same survey found that forward planning of Lans has a low priority. Fellow networking contractor 3Com investigated its market and concluded that the happy vision of a global computing environment with companies linked through a series of seamless networks remains a high-tech myth.

The manufacturing and finance sectors have come to rely heavily on Lans. But 3Com's research indicates that while some 70 per cent of Lan users in those sectors planned to increase data communications, only one quarter of large organisations are following a clear networking strategy.

Naturally, contractors in the field are keen to highlight the benefits of hiring their services. But confusion over the future of networking is due to more than inadequate strategic thinking. The fact is that the Lan itself may soon face an identity crisis.

For a decade, a Lan has consisted of physical connections between PCs and software governing the exchange of data. With the emergence of multimedia technology, the Lan is suddenly required to transmit sound and video images. The Lan standards of token-ring and Ethernet are not at their best in this environment.

With the emergence of multimedia technology, the Lan is suddenly required to transmit sound and video images. The Lan standards of token-ring and Ethernet are not at their best in this environment

Of course, IT manufacturers with an investment in multimedia have an answer. They propose abolishing the kilometres of wiring that characterise building-wide Lans and introducing radio links. If binding PCs together via radio waves seems obvious, the reason it has taken so long to arrive is mired in radio frequency regulations. With the liberalisation of telecoms, previously restricted frequencies are being made available.

NCR, owned by US telecoms giant AT&T, has pitched in with Wavelan. This is a networking scheme using spread spectrum, a microwave type radio transmission favoured by military raiding parties behind enemy lines. The attraction is that PCs can be held centrally, dispensed for a particular project and used in a Lan without planning out and installing wiring. Mr Simon Goodwin, NCR's architecture consultant, calls it "deliver and drop technology".

With a Wavelan card fitted into a standard PC, the service costs £675 a connection. Mr Goodwin concedes that the delivery rate of data cannot compare with Ethernet but says the difference becomes apparent only with intensive work by a large user community.

Olivetti's foray into wireless Lans is termed Net3, a mathematical reference to three-dimensional, cubed space. This relies on Digital European Cordless Telecommunications. Radio relay points act as Lan hubs, joining up systems over a 50-100m radius. Net3 costs £1,000 per user.

Mr Wynne Davies, product marketing manager, agrees that intensive use creates problems, but says this can be overcome by installing more external radio points. "The advantage of Dect is that it will support voice. It's very much a multimedia protocol." Mr Goodwin claims this is Net3's weakness. "Dect was developed for voice, not data." Whatever their differences over protocols, both companies recognise retail sites and institutions that frequently reconfigure office space as potential converts to radio-based Lans.

The European Space Agency has tried out Net3 to back up computers outdoors and at temporary sites.

Mr Adrian Ridley-Jones, a senior consultant at systems house Logica, has assessed both systems. He stresses that for intensive processing a conventional Lan configured to cope with masses of data is still the best route. "For something like credit card processing you need the equivalent of a big fat pipe, not the narrow bandwidth of radio."


Peter Steggall: "We can't be on the bleeding edge of technology"

Mr Ridley-Jones identifies the hidden costs of keeping conventional Lans up and running as a more immediate issue. Best-selling Lan products from suppliers such as market leader Novell can lead to difficulties as the system expands to cope with more use and users. "These networks can be incredibly expensive and difficult to manage when you start taking on support staff."

Mr Peter Steggall is head of IT strategy and planning at NatWest Life. Launched on January 4 as a life insurance, pensions and unit trust operation within the NatWest group, this organisation has formidable networking requirement. NatWest Life has already spent £40m on computer systems. A Unisys mainframe is tied via communications processors to a central data-processing Lan that can talk in turn to PC workstations configured in a series of Lans.

Network growth is a big issue, Mr Steggall concedes. "We've got servers all over the place and no one is looking after them. We need very sophisticated network management software to keep the whole system running." With the decline of the all-powerful data-processing centre and rise of decentralised computing, some drawbacks have emerged. "The environment is not as reliable as the old DP centre set-up."

NatWest Life has called in consultants Hoskyns to cope with network maintenance on a £500,000 a year contract. The effort of keeping up with technical developments was not worth doing inhouse. Hoskyns is under strict orders. "The criterion is not just to deliver the service but to improve it over the years as new Lan techniques emerge."

Radio-based Lans are a possibility, says Mr Steggall. He forecasts the need to incorporate yet more capacity into Lans to cope with multimedia images. But after the furious spread of Lans over the last decade, he is wise to be cautious, preferring to learn from other's mistakes. "We're not going to be on the bleeding edge of technology."

Michael Dempsey

Network managers are finding that the problems of control have multiplied

Downtime goes up as networks expand

AS MORE personal computers, servers and printers have been added to networks and applications have become larger and more complex, downtime has been growing steadily.

A US survey by Gallup for *Computer Reseller News* last year found that the average large company suffered four hours of downtime a week – almost double the figure shown in research two years earlier.

At a seminar in April Mr Enzo Torresi, president of the superserver maker NetFrame, forecast that average downtime would rise to five hours a week this year.

The survey results refer to local area networks. On wide area networks the figures are likely to be considerably higher.

Such a level of downtime represents a huge loss of productivity, particularly when it affects organisations which rely on online systems such as banks, airlines and manufacturers. For them 99.99 per cent availability is just not enough; it needs to be 99.999.

The problem seems likely to worsen, because surveys show that users plan to add more hardware and software to their networks without adding to their network management resources.

Mr Jim Pante, European managing director of Network General, a vendor of software tools for network management, says that most users spend only 2-3 per cent of their information technology budget on network management, whereas 10-15 per cent is needed.

Most large companies in Europe and the US at present spend only £15-75,000 a year on network management tools. They do not expect to increase that figure by much, nor to hire more network managers.

Mr Pante says more planning is necessary. "Users need to lay down basic network requirements for availability and response times and then monitor any events that may put those targets at risk."

Users' expectations of what networks should be able to handle have grown faster than their adoption of network management systems and of the capabilities of those systems.

Mr Paul Trowbridge, UK marketing manager for the network products company Synoptics, says that most people underestimate what is involved in network management. He attributes this to a lack of skills among network managers who are under so much pressure that they do not get adequate training and often adopt a naive "tick list" approach to purchasing software tools.

The arrival of a new generation of applications, including multimedia programs, could compound the problems. Such applications will consume far more bandwidth than current systems; therefore demand for bandwidth will need to be closely monitored and controlled.

One of the answers may lie in expert systems. These are software programs which use a specialised form of artificial intelligence based on sets of rules devised by subject experts. A set of such rules could help to alert network managers to anomalies and enable them to take a more pro-active approach to monitoring.

Users' expectations of what networks should handle have grown faster than their adoption of management systems and the capabilities of those systems

Another part of the solution will come through the development of standards. Most computer networks today comprise equipment from a number of different sources, each of which requires its own management system. Network management needs a standard which will allow heterogeneous machines to be effectively monitored and controlled by a single software system.

Such a standard is beginning to emerge, but it could be several years before it has stabilised. After that, it could be several more years before old non-standard machines are phased out and replaced by others that conform to the new standard.

In this field, as in others, the industry has been torn between official and de facto standards. A few years ago users and vendors were looking to the International Standards Organisation's Open Systems Interconnection model to provide them with official standards for networking.

They pinned their hopes on OSI's Common Management Information Protocol. But that required so many features that it has so far failed to win much support from manufacturers.

Meanwhile, the rival Simple Network Management Protocol, supported by the Internet organisation, appears to have overtaken it and is now close to becoming a de facto standard.

However, SNMP has been criticised for allowing too many options for implementation by product vendors and for lack of security. A new version of the protocol, SNMP2, which should deliver both greater standardisation and improved security, is expected to be built into equipment towards the end of this year or early next year.

The Open Software Foundation's Distributed Management Environment (DME) is now making the running as a standard architecture for the product vendors. It will support the SNMP protocol and should help to make network software more portable.

Mr Justin van der Lande, networks marketing manager for NCR UK, an AT&T subsidiary, says: "Our difficulty is to know which standards to back."

NCR's StarSentry, one of the leading network management products, already has SNMP compliance and will add compliance with DME in its next release. Though it has yet to achieve commercial success, StarSentry was rated best network management product in a recent market report by consultancy ButlerBloor.

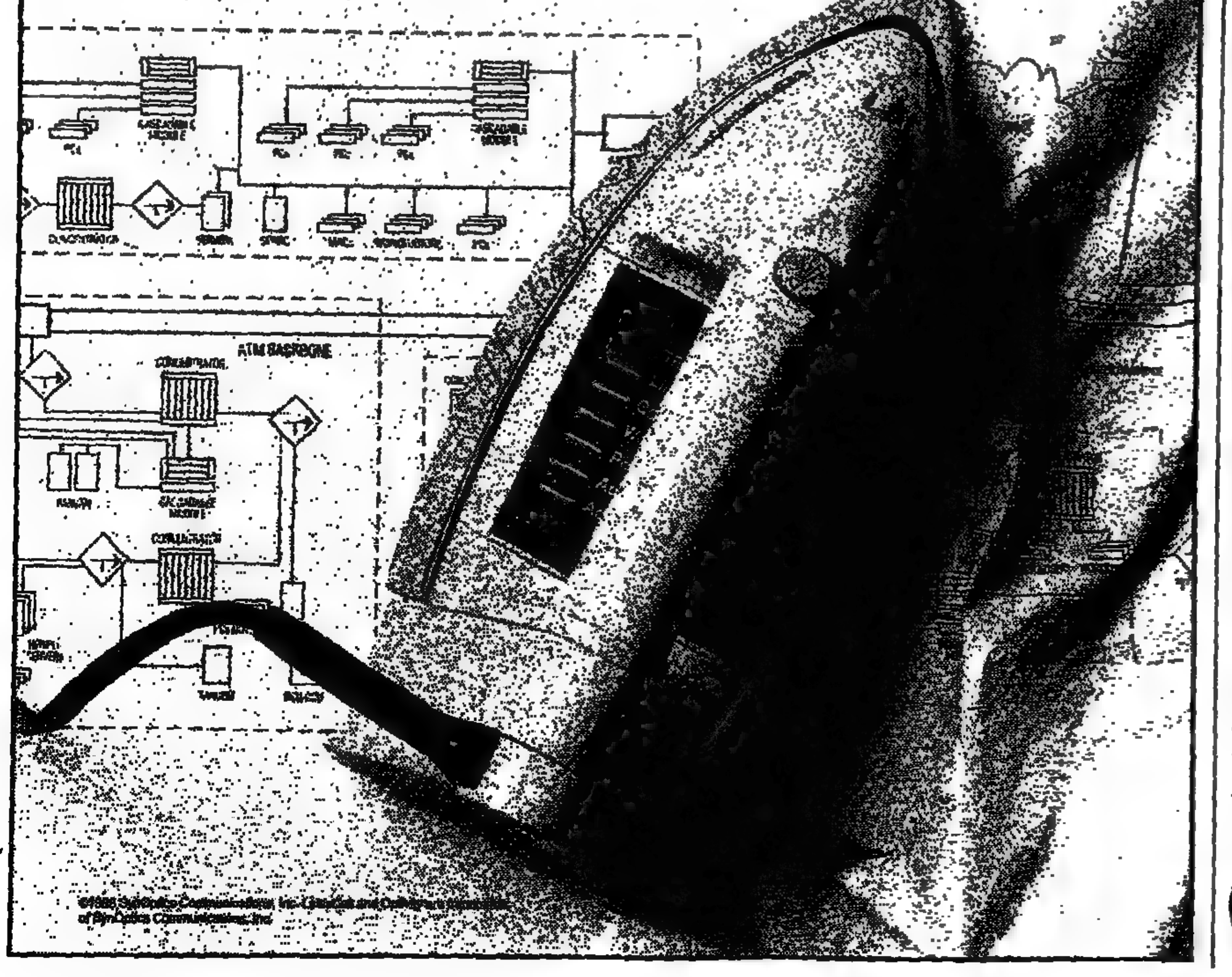
Hewlett-Packard has recently announced enhancements to its market-leading OpenView network management software which will take it in the direction of centralised control of distributed systems. Ms Caroline Rowney, its UK client-server programme manager, says that users wanting to migrate from a mainframe environment to a distributed environment have been concerned about a possible loss of control.

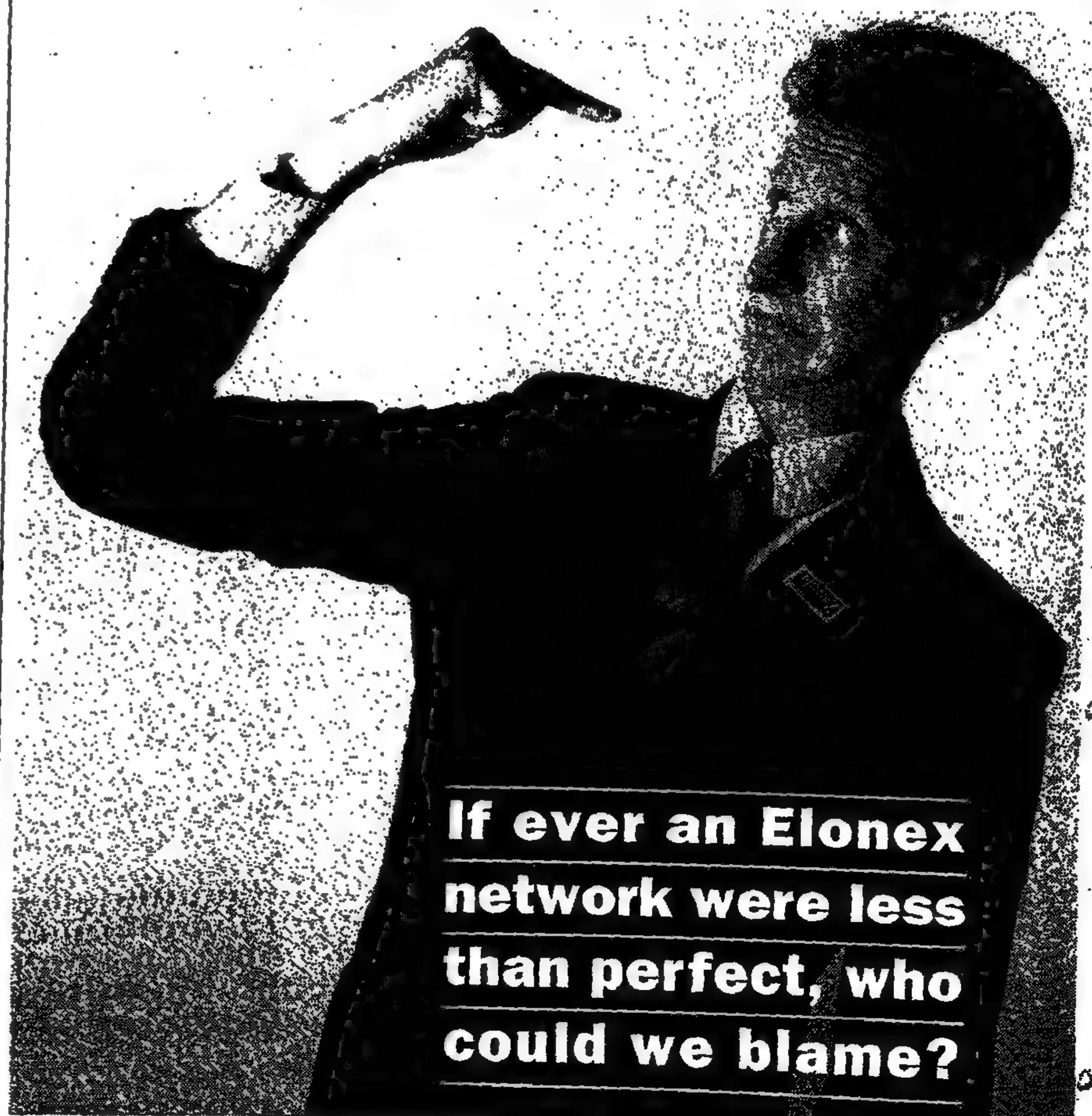
The latest version of OpenView also takes another significant step towards the integration of system management with network management and thus towards centralised control.

OpenView now seems to be on the way to becoming an industry standard, at least in the open systems community, as it is being incorporated into DME and into IBM's NetView products. It is supported by around 170 partner firms which have developed hardware and software additions to the system.

Whatever the industry standards turn out to be, networks of a few years hence should be controllable from a single software system and therefore, eventually, less subject to faults and crashes.

George Black





Global networks: **George Black** on a difficult decision

Why to buy is better

MANY organisations which are seeking to build global information networks face a difficult "buy" or "make" decision in the near future.

The signs are that most will go for "buy" rather than "make". The main reason is that they believe this will be quicker, cheaper and easier.

That will be a reversal of what was the prevalent trend until recently. Most large companies used to feel more secure owning and managing their own networks. It took a lot of time, money and effort to set them up, but it gave the users complete control.

Now many want to do "one-stop shopping" for telecommunications services worldwide. The arguments that have already convinced many users to outsource computing services apply to telecommunications. Network design has become so complex that many think it best to hand it over to experts on a fixed price contract for several years.

Mr Pim Bilderbeek, manager of the European network research centre for International Data Corporation, predicts: "More will buy than make because that way they will free capital for other purposes and be able to concentrate on their core businesses."

Just as important is that they will get rid of all the problems of negotiations with a large number of equipment suppliers and maintainers and with the national telephone companies of the countries in which they operate.

These complex dealings have been the biggest hurdles for those companies which have built their own global networks. When anything goes wrong on a private network, it is often extremely hard to sort out who is responsible.

Another factor is that the technology is becoming obsolete so quickly that users may prefer to leave it to service providers to keep up with all the latest inventions.

For organisations seeking to do business in emerging regions such as eastern Europe, setting up a network may be much harder than in the more technologically advanced countries. Where cables are inadequate, they may need to rely on service companies which can provide access to satellite systems.

The expected switch to outsourcing is good news for the suppliers of managed network services such as BT, Cable & Wireless and Infonet.

These companies have been increasing their revenue from network services but have had to invest so heavily in establishing global networks that few have reaped profits in this sector so far. But the prospect of a rapidly growing customer base should reassure them of the wisdom of their investment.

Mr Trevor Watts, marketing manager for network services at service provider AT&T Istel, says that global companies must ask themselves whether they want to commit huge resources to running their own networks in every country.

He notes that to do so they must be able to cope with different technical standards in each country, for instance for the new ISDN digital telephone system.

Mr Peter Hickman, a senior business consultant with GE Information Services, the leading supplier of electronic data interchange services, says it is now extremely hard for even large companies to provide all the necessary expertise and support for global networks.

The technology is becoming obsolete so quickly

But some large companies, notably the financial institutions, are still reluctant to hand over all their communications requirements to service providers because they are not convinced that managed networks are secure enough for their sensitive data. Most of the banks use their jointly-owned body, Swift, to perform their major network functions.

As banking becomes less of a retail chain and more of a network application, the banks are increasingly concerned about the ability of other network providers to come into their market. They may therefore try to become network providers themselves. That already seems to be starting to happen at some of the top European banks.

Both service providers and those who intend to build their own global networks face some big technical challenges in keeping up with users' demands. Most companies have allowed their networks to grow in a piecemeal manner and have managed them only by firefighting problems as they occur rather than by proper planning.

Mr Watts believes that part of the solution to global network problems will lie in the new technologies of Frame Relay and Asynchronous Transfer Mode.

Frame Relay promises to overcome the restriction on throughput of packet-switched data networks based on the Consultative Committee for International Telephony and Telegraphy X.25 standard. It is starting to be seen as a cost-effective solution by US multinationals, but European companies have yet to be persuaded of its advantages. However, Frame Relay still needs more monitoring and diagnostics features to be able to deliver substantial benefits to users.

ATM is seen as the next step after Frame Relay in increasing the rate of data transfer and integrating local and wide area networks. US multinationals are starting to investigate ways of adopting ATM as a future backbone technology for achieving a higher still throughput of data.

Frame Relay and ATM may be the key to providing the increased bandwidth which global companies will require for multimedia applications involving image transmission. They appear to be well suited to users who need to transmit very large files of data in short bursts to remote sites.

Competition for global customers will become intense in the next few years. Last month AT&T launched a service in the Asia Pacific region called "Worldsource". It has created a set of partnerships with telecommunications companies in other countries.

BT's recent announcement that it will take a 20 per cent stake in AT&T's rival MCI points in the same direction. Others will seek to do the same to get a share of the growing market in international voice and data communications.

Judith Massey on client-server computing

The great enabler

WHEN Trent Health Regional Services upgraded its financial systems recently, it chose to move off its health authority's mainframe and implement client-server software called Open 1 on a network of personal computers.

According to Ms Kay Dickinson, senior assistant director of finance at Trent Services, Open 1 provides a more flexible approach to accounting systems, so that she can get quicker and more relevant management information. Staff can use familiar PC applications alongside Open 1, which itself has a friendly, graphical user interface (GUI). The hardware to support the system can be upgraded using off-the-shelf PC products and add-ons.

The icing on the cake for Trent Services is that by installing Open 1, it will save money. For the same price as one year's maintenance charges on Trent's mainframe accounting system, Trent Services has been able to buy a new application. "We have been able substantially to reduce IT overheads as a result," says Ms Dickinson.

The business benefits that Trent achieved by moving away from centralised mainframe systems to a departmental application demonstrate why client-server computing is taking off in a big way. But what is different about client-server computing, and why are so many people talking about it? Mr Mark Trevell, senior consultant with Hoskyns, the UK consultancy group, says that flexibility is the key. "Organisations can do things with client-server computing that they could never have done with a mainframe," he says.

As well as being able to empower users by giving them the tools they need to do their jobs properly (including the PC applications they have grown used to), organisations which choose the client-server route find that they can create systems and reports more easily. Rather than go to the data processing department with a request for a report, users can create a new view on existing data themselves. Corporate data is a resource to be tapped and used in new and different ways by imaginative "front-end" applications, instead of part of a monolithic liability that constrains the business and stops it from changing.

Another benefit of client-server computer systems is that they tend to be built from industry standard components, such as Novell NetWare. As anyone involved in manufacturing or construction knows, wherever standard components are used, prices fall.

Galileo, which provides a worldwide booking service for air travellers, has based its new client-server TravelManager system on standard components for these very reasons. Instead of writing new client routines and screens, it is making extensive use of tried and tested applications such as SunAccount from Systems Union, plus Microsoft Word and Excel.

Of the two elements in client-server computing, the client can be a PC, a Unix workstation or even a remote notebook computer. The server can be another PC, a Unix box, a minicomputer, mid-range computer or mainframe. The basic premise is that different parts of the application run on the platform that best suits the job in hand.

The PC (or workstation) handles the GUI and low-level PC applications, such as spreadsheets and small databases. The server looks after "back office" computing tasks, such as updating large databases, or sorting through client records. The two elements are connected via the local and wide area networks now commonly in use by most large organisations.

The way a client-server application works is that users request information or data from their PC client, but actually receive it from a server. The server could be in the same room, in a different part of the building, or even in another part of the country. Clients can access multiple servers for different information, but client-server software hides the downloading process from those users. As far as they are concerned, the information that pops up on their screen could have come from their own PC.

Flexibility is the key. "Organisations can do things that they could never have done with a mainframe"

Client-server computing can be described as "user-centric". Processing power is brought to the desktop, and applications are designed to serve the business need. But that view of computing can create problems for those with no experience of how to use client-server applications properly.

The fact that organisations are integrating multi-vendor components into one computing infrastructure brings its own problems, according to Mr David Taylor, senior industry analyst at Dataquest. "Management of these systems can be difficult," he says. "Organisations need to look carefully at the impact of having so much data moving around the network, for example. A lot of the pieces of the jigsaw are ready to be used, but you still need somebody to put it all together."

But the reason that some large client-server applications have failed recently has less to do with technology and systems integration skills than with business processes, says Mr Ian Faulkner, divisional director of UK management consultancy OASiS. "Just sticking a sexy front-end onto an old system that supports outdated business processes is not going to make any difference," he adds. "Client-server technology is a great enabler, but the important thing is to understand how it can help your particular business."

The message is that while client-server computing does provide measurable benefits (open systems, cheaper hardware and software maintenance, more flexible programming and system design, better usability, the ability to carry on using familiar PC applications and GUIs), it should never be implemented for its own sake.

In future, more vendors of financial and other corporate applications will produce robust, reliable client-server versions of their software. Oracle, Dun & Bradstreet, Compuware and others have already announced products that will help users move into client-server computing. The new dedicated management tools and operating systems such as Microsoft Windows NT will also move the whole client-server bandwagon a little further down the track.

Paul Taylor on interoperability, a new and inelegant word in the lexicon

Tower of Babel can be surmounted

OVER the past few years a new and rather inelegant word has entered the lexicon of network computing – "interoperability".

Interoperability is a practical solution to the problem of ensuring that different computer hardware and software components can work together across a distributed network or interconnected networks.

If the computer industry had grown up in accordance with some monolithic master plan, there probably would have been no need for any user to specify interoperability; it could be taken for granted.

In reality, however, computer development has been driven by competing and often incompatible technologies vying for customer acceptance. This has resulted in a proliferation of rival computer architectures, operating systems and software.

Within some segments of the industry, de facto standards have emerged. For example Intel's chip architecture and Microsoft's MS/DOS have come to dominate the personal computer market.

Even where no standards have emerged, there were relatively few problems, provided machines based on different technologies functioned in isolation from each other.

But today's end users want network systems which link together all their information resources – regardless of the types of machine and technology or their geographic location.

They want to squeeze more productivity out of their investment in IT by hooking together desktop personal computers, high-power workstations, departmental minicomputers and corporate mainframes locally, nationally and internationally – and have them work in seamless harmony.

Since the 1970s, when networks first started to appear, there has been a burst of activity as computers have been linked together to form local area networks (Lans) and wide area networks (Wans). These in turn are being wired together in a process called internetworking.

But this has led to technical headaches for many large customers whose diverse IT operations have often grown up without any co-ordinated plan, resulting in a wide range of often incompatible hardware systems and architectures.

Indeed, the network hardware itself, including wires, connectors and communications circuitry, coupled with the different ways of packaging and transmitting data across Lans using various communications protocols, has added another bewildering level of complexity and possible conflict.

The result has been described by some as "an electronic Tower of Babel". There are, however, a number of possible solutions to these problems – steps designed to ensure interoperability.

Perhaps the most obvious solution is to establish new hardware and operating system standards. This is essentially what the various "open systems" standards, developed by the X/Open Group, the International Standards Organisation (ISO) and others bodies, attempt to achieve.

Open systems work to a common specification and therefore achieve interoperability by definition.

Equipment that complies with open systems standards can easily be connected into communications networks and has the capacity to run operating software and applications from any supplier obeying the open systems rules, rather than manufacturers' proprietary ones.

Open systems standards are now widely accepted across the industry, although some hardware manufacturers are still less than wholeheartedly enthusiastic about implementing them because of heavy investment in their own designs.

But there is another important reason why even if open systems standards are the long-term solution to securing interoperability, shorter-term alternatives are also needed.

Many corporate customers cannot switch over all of their IT operations in one jump, Even if they could, they probably would not want to. Such a move would entail the unacceptable costs of abandoning proprietary computer systems and expensive software.

For this reason, it is often suggested that open systems are most suited to new applications, and that computer systems based on proprietary designs will still be required to support current applications.

Even so, in the age of computer networking, these systems must at least be able to work with others. Therefore manufacturers have adopted a number of other approaches to make their proprietary systems interoperate with others.

Some vendors such as DEC, Groupe Bull and Hewlett-Packard have been pushing their systems increasingly towards "open systems" by changing their operating software to conform more closely to the standards.

Similarly, the main network management software products, such as IBM's Netview and similar packages from HP and Sun Microsystems, are moving gradually towards Open Systems Interconnection while the SNMP (Simple Network Management protocol), supported by the Internet organisation, has become a de facto standard used by those wanting to integrate their Lans.

Manufacturers of internetworking products such as "routers", "hubs", "bridges" and "communications servers" which also help provide interoperability, are in a booming business

Other equipment manufacturers, including Apple, have accommodated other systems within their own proprietary designs. As Apple's current UK advertising campaign emphasises, Macintosh computers can now exchange data files with MS/DOS personal computers, run MS/DOS programmes using "Soft PC" software and connect with PCs over a network.

Meanwhile IBM's strategy for delivering "interoperability" has necessarily been more complex. By the 1980s it was making seven incompatible computer families but has since taken a number of steps to help its own, and other vendors,' machines interoperate.

Among these, IBM in 1987 announced a plan called System Applications Architecture (SAA) to enable its PS/2 personal computers, System/38-AS/400 minicomputers and its System/370 mainframes to be linked together more easily.

All used IBM's long established Systems Network Architecture (SNA) for their communications infrastructure. But each of the three used different operating systems, different command and control interfaces and different programming languages for their applications software.

Since SAA was launched in 1987 IBM has extended its specifications to include many open and de facto industry standards in order help its systems interoperate with others.

Last year, IBM announced its new Blueprint for Networking, which redefined SNA to include many open systems specifications. Meanwhile, many IBM SNA features have become de facto standards with the open systems stamp on them.

Although there are still problems in linking together proprietary systems, Mr David Taylor, senior industry analyst with Dataquest, says most manufacturers "have worked hard to test their systems with competitors".

Novell, which dominates the Lan software market, began shipping NetWare SNA Links last year, a program designed to enable International Business Machines customers to connect geographically dispersed PC networks via existing mainframe computer links.

Other software houses such as Borland International have also been working to enhance interoperability by making complex client-server based networks easier to manage and use.

For example, Integrated Database Application Programming Interface software provides a standards-based method for integrating, manipulating and managing data from different databases and on different operating platforms.

The growing need to hook together Lans has also spawned a booming business for the manufacturers of the internetworking products such as "routers", "hubs", "bridges" and "communications servers" which also help provide interoperability.

These are used to divide computer information into "packets", regardless of the data communications protocols, find the most efficient and economical route to deliver the packets to their destination on the network, and assign priorities to different packets, delivering the most urgent ones first.

Such companies as Cisco, 3Com and Wellfleet which manufacture routers, and Synoptics, a leading vendor of internetwork hub products, have all been growing rapidly in recent years as a result of the increasing demand for internetworking.

The age of isolated proprietary systems is over and as the trend towards networking accelerates, the need for interoperability will grow. This will mostly be satisfied by the continued shift towards open systems hardware and software standards.

The effect is of gathering what everyone in a team knows in one room

The prize groupware delivers

Groupware – software that runs across a network, co-ordinating the work of individuals within a team – is the current buzzword in PC-based computing. Regardless of distance, each member's files are constantly and simultaneously updated. Groupware reproduces electronically the effect of putting everyone together in the one room.

It is impossible to discuss groupware without studying Lotus Notes. With 500,000 licences sold worldwide, Notes has defined the groupware market. But the phenomenal success of Notes has obscured some networking issues. Until the very latest release, each sub-set of up to 50 users required a dedicated PC server running IBM's OS/2 operating system. This is not the first choice of many network developers, who have to wait until later this year for the Unix operating system release.

And while Notes has flown the banner of groupware, the idea of a constellation of users hanging off a network but working to a common goal has been around for a very long time. Intergraph, a manufacturer of engineering workstations, has been selling a file-sharing facility called Microstation for seven years.

Jim Chapman: "Notes strips out the rubbish"

At £3,000 a licence, Microstation is targeted firmly at engineering professionals.

Microstation allows architects, structural engineers and cabling planners on a construction project to view each other's files as the building progresses. Running under Unix, Dos and Microsoft Windows operating environments, Microstation is more flexible in networking options than Notes.

The UK arm of international engineering firm Ralph M. Parsons uses Microstation to co-ordinate work on designing chemical processing plants. Mr Brian Dowling, head of computer integrated engineering at Parsons in Brentford, West London, explains that a formidable array of protocols is employed in the company local area network.

With traditional PC Lans such as Ethernet, market standard network software from Novell and Unix Lan programs, Parsons can only use groupware that will run happily over a multi-protocol network. For the time being, that rules out Notes.

So if groupware was propelled to prominence by Notes, the idea, if not the buzzword, already existed. Mr Dowling says he already has "the ability to overlay another design file on top of your desk file, allowing team members to see layers of information." Netware is IT industry jargon to describe such products as Microstation.

With a spectacular sales curve, Notes has attracted keen supporters. What Notes has done, say its adherents, is cut out a significant amount of unnecessary data duplication on networks.

Mr Jim Chapman is the managing director of Triangle, a Bournemouth-based systems house that specialises in Lans. Installing Notes at Triangle has led to significant savings, he says. By pushing files across the network, constantly saving and relabelling, conventional Lans absorb huge amounts of data storage space, he argues. Notes is far more economical in that it keeps the one file running, and does not waste space by applying a number of formats to files.

"Networks encourage file replication, they become data dustbins. Notes compresses data, strips out the formating and rubbish that other products put onto the file."

Triangle needed £30,000 worth of hardware to function as a network engine on its own Lan before Notes arrived. Mr Chapman boasts that the data economy of Notes means he can run the network off £6,000 worth of equipment. In a 60-strong company that is a significant saving. Triangle now sells Notes licences.

Notes can cut back on one aspect of network costs. It offers every user the chance to write applications. This is a big step in terms of user-friendliness and decentralising power. But it can encourage staff to waste time and resources.

Mr Michael Chapman Pincher organises the Lotus Notes User Group and has implemented Notes at SMI, his North London marketing services group. He warns that user enthusiasm can prove wasteful. "Most Notes sites are graveyards of applications that died because they were found to be unusable."

Michael Chapman Pincher: user enthusiasm can prove wasteful

However, in the presentation-orientated world of marketing Notes has proved vital. "For a paper based information organisation like SMI, it has become a valuable business asset because it's so easy to lose track as the draft of a proposal progresses."

Saunders Sobell is a London law firm with a mission to prise paper out of the lawyers' hands. The idea is to put every step of casework on a network of PCs and tie the work process together. Computer services group ITnet has been appointed to handle the introduction of Notes with a £600,000 contract. This involves installing a Lan and ensuring that Notes takes over the legal paper mountain.

Mr Jeffrey Tyrrell is IT partner at Saunders and his job is to make sure the network's 130 users are steered away from groupware's profligate tendency. All working applications will reside on desktop PCs while a 486-based server is dedicated to handling network traffic. "We're configuring the network so it's difficult for people to come out of Notes. We don't want them going away and fiddling in other parts of the system."

Mr Tyrrell harbours no illusions about a paperless Law firm. "I think lawyers are wedded to paper." But he sees the potential for a well-planned Lan running groupware. "What's exciting is being able to exchange so much information," he says. "Law is about selling knowledge, but until now that's been locked up in the minds of staff around the building."

With groupware at hand, the computer network may be about to deliver a powerful prize.

Michael Dempsey

Business Software Challenge '90s

Prizes to the value of £20,000

BRITAIN'S young software writers have the chance to win prizes to the value of £20,000, plus a range of hardware and software, in this year's "Business Software Challenge '90s," the results of which will be covered later this year in the FT's review, *Software at Work*.

The competition is sponsored and funded by software vendor, Computer Associates, which founded it two years ago as a way of encouraging students to write applications to solve real business problems. Also giving their support are the British Computer Society, Coopers & Lybrand and the Institute of Management.

Entries invited

The competition is aimed at students in higher education, working individually or in teams, and recent graduates. They are invited to submit current work which solves a specific, defined, business problem. There is no definition of what applications are appropriate, but judges look for robust, working solutions and a clear explanation of the business benefits.

The software should run on a commonly available computer, and integrate with other relevant software where applicable. Entrants must be able to demonstrate how their design addresses a particular problem.

There is strong interest in this year's competition; entries close on August 27.

Winners in previous years have been responsible for a number of highly promising products, and some have gone on to full-time careers in software design. For more information and an explanatory booklet, apply to:

The Competition Secretary,
Business Software Challenge 90s,
24-28 Bloomsbury Way,
LONDON WC1A 2PX

Telephone: 071 831 6262
Fax: 071 831 0689

On this page **Phil Manchester** looks at the prospects for the main operating systems strategies

A struggle for dominance

BY THE end of the decade, most personal computers will be attached to a network of one sort or another. Many will be attached to local area networks, so they can share resources, support "group working" applications and connect personal computers to large corporate databases.

Like any other, networks of personal computers need a controller – a sort of telephone exchange – to make sure that messages get to the right destination, cope with hardware breakdowns and maintain security.

Personal computer networks are controlled by software in the form of a network operating system. In the same way that an operating system such as Microsoft's MS/DOS looks after the complexities of operating a personal computer, network operating systems control the flow of traffic through a network.

It follows that the developers of what becomes the dominant network operating system will be assured of a lucrative market well into the next century.

In pole position is the Utah-based software developer Novell with its NetWare package. Over the past 10 years Novell has successfully seen off sustained attacks from its biggest rivals – IBM and Microsoft – and driven at least one potential competitor – 3Com – out of the networking software market.

More recently, it bought out Digital Research – Microsoft's one-time rival in the PC operating system market – and formed Univel, a joint venture with Unix Systems Laboratories (USL), to market Unix software. Novell is now on the verge of completing a takeover of USL, which will give it effective control of the Unix operating system.

The bringing together of Unix and NetWare could give Windows NT a run for its money

Apart from its abortive merger with Lotus Development in 1990, Novell has made all the right moves. It is well-placed not only to continue to dominate the network software market, but also to challenge Microsoft's dominance of the broader PC systems software market.

Not surprisingly, Microsoft is keen to extend its sphere of influence beyond the confines of single, stand-alone personal computers. It wants a slice of the network operating system market and has struggled – so far in vain – to oust Novell. Microsoft's Lan Manager software, which is also the original basis of IBM's OS/2 Lan Manager, has failed to appeal to PC network builders – partly because of technical problems and delivery delays.

The recent launch of the Windows NT operating system, which puts Microsoft in a better technical position to compete with Novell, has raised the heat of the battle.

Windows NT is a gamble for Microsoft. It is much more than a replacement for its top-selling Windows 3.1 PC software. It is also designed for use on the high-speed reduced instruction set computers (Risc) being developed by IBM and DEC. This is traditionally the territory occupied by Unix.

More important, it comes with a new networking product called Windows NT Advanced Server. Although Microsoft has not given a definite delivery date for the Advanced Server, it has priced it very competitively and aimed it directly at Novell's NetWare.

Novell's interest in Unix through USL – in addition to the products it inherited in the Digital Research takeover – give it the weapons to break into Microsoft's market.

However, Mr Lalit Nathwani, NetWare product manager at Novell UK, acknowledges Microsoft's strong position. "Microsoft will dominate the desktop – but not the network server," he says.

"The market is looking for stability and proven, reliable networking. And customers do not want to be locked into a specific product like Windows – it's proprietary. We can take a more independent view. Unlike Microsoft, we have no involvement in applications software and we are hardware independent."

He adds that users are looking for integration across networks and that Novell's new involvement in Unix development will make this easier.

The key to Novell's strategy is the bringing together of Unix and Novell's NetWare – a combination which could give Microsoft's Windows NT a run for its money. The proven track record of both Unix and NetWare in their respective markets gives them a clear advantage.

But Unix has suffered from a lack of standardisation and confusion over the "front-end" interfaces for applications programs and user interfaces. Novell could put this right. It has succeeded in making Netware a standard for PC networks and given application builders a fixed target to aim at.

It could do the same with Unix – although whether this will be enough to triumph over Microsoft remains to be seen.

Mid-range Unix faces crunch

THIS year may be the turning point for Unix, the computer operating system developed more than 20 years ago by the US telecommunications giant AT&T.

Technical development of Unix will soon fall under the control of PC networking specialist Novell following its takeover of Unix System Laboratories (USL). There is growing interest in "downsized" open computer systems based on Unix and a renewed sense of unity among Unix suppliers.

This should mean that Unix will, at last, find a respectable place in commercial computing as an open foundation for portable applications which can run on many different computers.

There are still doubts, however, and Unix's future may not be as rosy as many of its advocates think. The market it serves – so-called mid-range systems – has become a target both for large systems suppliers coming down from mainframes and for personal computer suppliers moving up from the bottom. It has, therefore, attracted alternatives. Operating systems software such as Unix is pivotal because it provides the foundation for applications.

IBM, for example, offers its AS/400 minicomputer with its own operating software and its larger PS/2 personal computer systems running the OS/2 operating system. Needless to say, IBM also supplies AIX, a version of Unix for its RS/6000 workstations.

Last month Unix came under attack from Microsoft with launch of Windows NT, yet another potential alternative for mid-range computing.

Despite these challenges, Unix has a proven record of survival. It was ignored by all except academics and researchers until a decade ago, when it became closely bound to the cause of open systems. Since then, it has almost become synonymous with "openness".

Unix is relatively easy to move to new computers – making it popular with the new minicomputer manufacturers which emerged in the 1980s. Sun Microsystems, Pyramid, Sequent and others took Unix off the shelf and tailored it to their hardware, rather than face the expense of building an operating system from scratch.

There were other factors. To sell their hardware successfully, manufacturers must offer appealing software applications. Unix has them by the hundred and, theoretically, they can work on any computer which supports Unix. In practice, things are not this simple and applications often need "tweaking" to work on a different version of Unix. But this is still much less costly than attempting to move, say, an old IBM mainframe application to a Digital Equipment or Hewlett-Packard environment.

Unix has other virtues. Until recently, its technical development was under the control of AT&T which, as a telecommunications company, had no axe to grind in the computer market. Following an unsuccessful attempt to attack IBM in the mid-1980s with its own Unix-based computers, AT&T has posed no real threat. This meant that Unix was mainly free of hardware manufacturers' influence and was able to develop along "open" lines.

Through the 1980s, Unix suffered from fragmentation as manufacturers "enhanced" it to suit their own hardware – making it difficult to move applications without changing them. This undermined the open principle to some extent and led to a succession of agreements and rival alliances aimed at producing a single Unix specification.

At the start of the 1990s, tough market conditions helped force Unix suppliers together and, in March, they announced support for the Common Open Software Environment, a blueprint for single Unix standard. But this new-found unity may owe as much to the imminent threat of Microsoft and Windows NT as it does to any new sense of co-operation between rival hardware builders.

Microsoft has recognised that the main market for future mid-range systems will come from current MS/DOS PC users. They will be more inclined to migrate to Windows NT, which offers them some continuity, than to a version of Unix or IBM's OS/2. While this is unlikely to affect Unix's aspirations in the market for "downsized" systems, it will not help it gain the critical mass it needs to dominate the mid-range.

However, Mr Neal Waddington, vice-president in charge of Tandem Computers' Unix operations, sees a good future for Unix in the downsizing market: "The functionality gap between Unix and other proprietary systems is closing. While Unix is not completely open, from a customer point of view, it's good enough," he says.

"Customers are looking for the break-up of the vertically-integrated proprietary systems so they can buy best-of-breed products at every level," Mr Waddington adds.

He sees Novell's takeover of USL as "very positive. It will lead to faster convergence of a standard at the binary level. This means we can have a Unix standard that we can add value to – rather than trying to add standards to our systems," he says.

He acknowledges, however, that Windows NT will be attractive to some customers – though he sees it making its mark on the desktop "client" rather than in the back-end "server" systems.

A long wait for 'vaporware'

WINDOWS NT "represents nothing less than a fundamental change in the way all companies can address their computing requirements," Mr Bill Gates, head of Microsoft, proclaimed at the end of May.

Modesty may be inappropriate at the official launch of a company's flagship software product, but it is fair to accuse Mr Gates of premature optimism. Development of Windows NT, an operating system for a wide range of computers, is well-advanced. But it will be at least two months before the basic software is generally available and it will be even longer before other important components are released.

It is, of course, a common ploy to announce products before they are ready. It is the classic way to protect an installed base. Microsoft, like its rivals, has used the ploy before – with the original Windows software, for example – and will doubtless use it again.

It is a common ploy to announce products before they are ready

Mr Stuart Allsop, a US newsletter publisher, coined the term "vaporware" to describe the practice. He regularly publishes a Top Ten chart of the products which have been "in vapor" the longest.

Windows NT has been on the list since the start of the year, after Microsoft failed to meet its scheduled delivery date in December 1992. Windows NT was first announced in April 1991 – putting it "in vapor" for over two years. Although NT officially stands for New Technology, it suggests other interpretations – Not Today, Not Tomorrow, etc.

But it would be wrong to single out Microsoft for castigation. Novell, its fiercest critic and closest rival in the operating systems market, had similar delivery problems with the latest version of its NetWare networking software. NetWare 4.0 was "in vapor" for 13 months before being finally released in March this year.

All is fair in the current "soft wars" and premature announcements are low down the list of marketing weapons currently being deployed by all the participants.

In March, for example, a group of Microsoft's main rivals banded together to announce a possible, final solution to the problem of the many different versions of Unix in anticipation of the final arrival of Windows NT. IBM, Hewlett-Packard, Sun, Unix Systems Laboratories and Santa Cruz Operation – all formerly in different factions of the Unix camp – said that they would conform to a Common Open Software Environment specification.

Microsoft was conspicuously absent from the party – a factor which leaves Cose lacking in credibility. Microsoft is, after all, the world's biggest supplier of open software environments.

Although Mr Gates may have overstated its significance, Windows NT will certainly mean change for the biggest single constituency in the computer industry: tens of millions of users of MS/DOS-based personal computers.

It is more than a replacement for MS/DOS and Windows 3.1. Windows NT gives Microsoft a product specifically to compete in the mid-range and enterprise systems market against Unix and IBM's OS/2. It is designed to use the so-called client-server architecture, a technique for distributing functions across a network of many different computers.

Microsoft aims to extend the client-server principle from the most humble desktop "client" computer up to the new high-performance reduced instruction set computers (Risc). It is working with Digital Equipment to build systems based on DEC's Alpha Risc, for example.

The combination of Alpha's advanced architecture and Windows NT could challenge even the largest mainframe systems on both performance and function. If Windows NT succeeds, Microsoft may come to dominate the entire software market.

But the question remains whether Microsoft can convince the market that it has got certain important components in the NT "family" right. The networking component, in particular, will come under close scrutiny. Microsoft has made several attempts to break into the market for PC networking software, but to no avail.

While it seems unlikely that Microsoft will lose its grip on desktop computers, it faces a real challenge in the networking market from Novell – which currently dominates with NetWare.

But Novell, too, has had its failures. Its attempts to break into the desktop operating system market – by taking over Microsoft's former rival Digital Research – have had little impact.

"The two will have to work together whether they like it or not"

The most likely resolution to the conflict is that the two companies will continue to dominate their respective markets and be forced to combine their efforts.

Mr Dan Kikinis, president of California-based Oakleigh Systems and the designer of Elonex's range of PCs, says: "Microsoft has not been very successful in the Lan market and Novell is not really successful in the operating systems market. The two will have to work together whether they like it or not.

"Windows NT needs another year before it will make any real impact. It will be difficult for Microsoft to get users to change how they work – and Novell is still well ahead in networks," he adds.

So it will be some time before the jury of the marketplace reaches its verdict on Mr Gates's latest brainchild.

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Pacific Dunlop buys Plumrose operations

Pacific Dunlop, the diversified Australian industrial group, has acquired the Australian and New Zealand operations of Plumrose, the foods company, from Denmark's East Asiatic Company for A$225m (US$151m). Page 16

Airtours hit by failed bid

Airtours, the holiday company, reported a half-year pre-tax loss of £15.9m ($23.85m) after the £9m cost of its failed bid for Owners Abroad, and announced that it has bought Aspro Travel, the UK's seventh largest tour operator. Page 16

Nissan accelerates in US

Nissan's US car sales rose 17 per cent in the first five months of this year, and its market share rose from 4.1 per cent to 4.7 per cent. The rise was mainly due to the success of its new Altima family sedan, showing the company has become much more attuned to US tastes. Page 17

Building banking muscle

Mr Robert Greenhill, former president of Morgan Stanley, has the job of building up Smith Barney Shearson's investment banking muscle when he takes over as chairman and chief executive. The only other large Wall Street firm with integrated brokerage and investment banking is Merrill Lynch. However, in the first quarter, Merrill's revenues from investment banking were $445m, whereas Smith Barney Shearson's combined revenues were $121m. Page 18

Securiguard points to prospects

Securiguard, the UK security and cleaning company facing a hostile £59.2m ($88m) bid from Rentokil Group, reported interim profits up 36 per cent and said the offer price of 270p a share "completely fails to recognise" the company's future prospects. Page 20

Trouble shifting lignite

Eastern Germany's biggest open-cast lignite mine, Lausitzer Braunkohle, or Laubag, is to be privatised. Of all the sales undertaken by the Treuhand, the agency charged with restructuring and privatising eastern German industry, the privatisation of Laubag is proving one of the most difficult. Page 24

Franc benefits from D-Mark fall

The D-Mark came under further pressure last week, enabling the French authorities to make a further cut in their intervention and repo rates, independently of the Bundesbank. The French move left domestic rates below those of Germany for the first time in 26 years. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				Dollfus Mieg	258	+	10.8
Rises				Elf Aquitaine	402	+	12
Leifheit	585	+	15	Legrand	4344	+	169
Lufthansa	120.8	+	5.4	UFB Locabail	354	+	13.9
Volkswagen	369.5	+	10.7	**Falls**			
Falls				Simco	499	–	22
Asko	630	–	26	**TOKYO (Yen)**			
Lahmeyer	626	–	14	**Rises**			
NEW YORK ($)				Hoya	1800	+	100
Rises				Iseki	794	+	99
Citicorp	30	+	¾	JAL	790	+	47
IBM	50⅝	+	⅝	Nippon Credit	6100	+	210
Merill Lynch	79¾	+	1⅝	**Falls**			
Motorola	87⅞	+	1¾	Kobe Kiito	433	–	47
Unisys	12	+	⅜	Minebea	574	–	30
Falls							
Nthn Telecom	29⅝	–	7⅛				
PARIS (FFr)							
Rises							
Bancaire Cie	545	+	26				

New York prices at 12.30.

LONDON (Pence)				Rothmans B	704	+	12
Rises				Stha Elect	463	+	11
Allen	123	+	12	Tarmac	141	+	7
Armour Trust	45	+	2½	**Falls**			
BAA	731	+	18	Contac	91	–	3
Barratt Devs	155	+	6	Learmth Brcht	280	–	18
Clyde Blowers	670	+	40	Platignum	54	–	3
Gardner (DC)	51	+	10	Ramco Oil	125	–	31
Gibbs Mew	250	+	10	Sage Group	503	–	17
HSBC	667	+	13	Sinclair (Wm)	196	–	36
Hartstone	41	+	4				
Novo Group	43	+	4				
Rank Org	796	+	18				

AGF lifts stake in AMB to 33.5%

By Alice Rawsthorn in Paris

ASSURANCES Générales de France (AGF), one of France's largest insurance groups, yesterday confirmed that it was on course for a return to profits growth this year and that it had raised its minority stake in Aachener und Mu"nchener Beteiligungs (AMB) of Germany.

Mr Michel Albert, chairman, told a shareholders' meeting in Paris that the figures for 1993 were looking "much brighter" than those for 1992, fuelled by sales growth in France and the return to profit of its troubled UK operation.

AGF, which is one of the prime contenders for privatisation by France's new centre-right government, last year suffered a sharp fall in net profits to FFr1.5bn ($261m) from FFr2.7bn in 1991, on consolidated premium income of FFr59bn.

Despite the profits decline, AGF fared better than Union des Assurances de Paris (UAP) and Groupe GAN, the two other state-controlled insurers which are also scheduled for privatisation.

GAN last week warned that it would have to resolve the problems of its damage insurance business before being ready for flotation, but UAP announced that it expected a "significant" improvement in profits this year and was fully prepared for privatisation.

The pressures on the French insurers have lessened in recent months because of an increase in tariffs by the larger groups and a more rigorous approach to new business.

Mr Albert said AGF had seen sales rise by 5.5 per cent to FFr24.5bn in the first five months of the year against the same period in the previous year.

The French life insurance business mustered sales growth of 12 per cent to FFr8.7bn over the same period, with the non-life business rising by 12 per cent to FFr7.8bn. Foreign turnover rose by 9 per cent to FFr8bn.

AGF also confirmed that it had increased its holding in AMB, the German insurer, from 25.1 per cent to 33.5 per cent.

The French group last year won a bitter legal battle to exercise the full voting rights on its AMB shares.

Mr Albert said AGF had bought the additional 8.5 per cent stake in the market in the response to the recent sale of AMB shares by La Fondiaria of Italy to a group of German financial institutions.

Michiyo Nakamoto looks at how computer makers are coping with rapid change

Chips are down in the Japanese market

RAPID changes in the computer industry are forcing Japanese manufacturers to recognise even they cannot make everything on their own.

A growth in cross-border activity – illustrated by Fujitsu's recent decision to use Siemens Nixdorf technology in some of its mainframes – comes as the Japanese makers brace themselves for unprecedented change in their domestic market.

Customers are shifting from powerful, expensive mainframe computers to networks of personal computers that are smaller and cheaper, but in many cases just as effective – a trend known in the industry as downsizing.

Downsizing has already forced western computer makers to restructure. But until recently, Japanese manufacturers could watch with detached sympathy as western competitors suffered from falls in demand for mainframes.

Japanese PC manufacturers used to keep a tight grip on the domestic market through their proprietary systems. Prices stayed high because the difficulty of processing the Japanese language helped to limit outside competition.

The spread of software that overcomes the language barrier and the move to open systems are eroding this advantage by allowing competition from cheaper US models.

"During the bubble years of economic expansion, both users and suppliers said downsizing would never happen in Japan," says Mr Koichiro Chiwata, an analyst at Salomon Brothers in Tokyo.

PC prices were still very high, nobody in Japan had much experience of downsizing and there were fears about the security of switching to PCs and workstations.

Japanese computer makers also knew their customers were locked into proprietary systems, in which huge sums were invested, making it difficult to switch to cheaper and open systems.

"Of the top 100 companies in Japan, 98 are Fujitsu's customers. They have built complicated information and communication systems [on Fujitsu's mainframes] and this won't be transferred to new systems that quickly," says Mr Takashi Sekizawa, president of Fujitsu.

However, the forces of change which swept through the west have begun to filter into the Japanese market.

In the past year PC prices have fallen dramatically, due to low-priced units from overseas and an increasing number of companies are beginning to experiment with PC networks.

"The period when only mainframes and terminals existed is over," admits Mr Sekizawa. "Customers now have a wide range of choice in information technology.

"They will be looking to integrate new systems with their existing systems so mainframes won't disappear in five to 10 years, but their importance will decrease."

Fujitsu, which has more than 40 per cent of Japan's high-end and medium-sized mainframe market, has seen its orders for the large machines dwindle from 37 per cent of overall orders in 1988 to 26 per cent in 1992.

In the year to March, Fujitsu's revenues from its mainframe operations were flat.

Mr Phua Lee-Kerk, an analyst at Barings Securities, estimates that NEC and Hitachi saw their mainframe sales shrink by 4 per cent and 14 per cent respectively.

The sharp downturn in mainframe sales is in part due to the economic slowdown in Japan. Before that, mainframe sales at Fujitsu were showing double-digit growth. But the outlook beyond the current slump is no less grim:

- The industry is unlikely to see renewed investment in advanced information systems on the scale previously made by financial institutions, says Mr Shigeru Yoshinaka, at Barclays de Zoete Wedd Securities in Tokyo.
- The Japanese computer industry is no longer as protected as it used to be from the forces that led users in western markets to shift from large mainframe computers to PC networks.

The situation is forcing a review of strategy by Japanese manufacturers, who have poured billions of dollars into the development of mainframes – traditionally a high margin business.

Japanese companies regard retreat from a business as a sign of defeat. Nevertheless, the grim prospects have already led Toshiba, Mitsubishi Electric and Oki to opt out of the mainframe business, leaving four principal players – Fujitsu, IBM Japan, Hitachi and NEC.

Fujitsu hopes to retain its edge in mainframes by meeting customers' needs for faster, more reliable and cheaper products. But this may mean mainframes will not be as profitable, says Mr Tadao Yoshihara, general manager of the computer systems group at Fujitsu.

Even the strongest players in the mainframe market see the need to shift to other businesses, particularly software and services – which many have begun to charge for.

The move has caused an uproar: in Japan "service" means "free" and customers were used to being provided with services without charge.

Another area which Fujitsu believes is promising is the servicing of multi-vendor systems, which are beginning to spread.

Fujitsu wants to increase the proportion of revenue it derives from software and services from 30 per cent to 50 per cent. It is well placed to benefit from expanding that side of the business. With IBM Japan, it commands 55 per cent of the mainframe market.

Their financial strength places them at an advantage over specialist software and service companies, which do not have the same resources.

"Japanese software houses have sent their staff to customers like temporary staff," says Mr Chiwata. "But this means that the company is left without any know-how."

As Mr Yoshihara puts it, the key to survival in the mainframe market is "to see the impact of downsizing and create a system that incorporates its benefits". The large computer makers which move quickly to take the initiative are best placed to win in the end.

Computer networking; separate section

Shipping group wins control of Investa

By Karen Fossli in Oslo

ANDERS Wilhelmsen, the Norwegian ship-owning company, has acquired control of Investa, the Norwegian investment concern, for NKr350m ($48.3m) from a group of 34 financial creditors.

Investa collapsed last August under the weight of NKr3.4bn in debt, of which NKr2.8bn was in unsecured loans in the form of debt notes and commercial paper which the group could no longer service.

The deal brings Wilco, Wilhelmsen's main subsidiary, an 87.8 per cent stake in Investa and a 90.2 per cent stake in the Norwegian Golar Nor group, which owns the "Petrojarl" oil and gas production testing vessel, currently on charter by Amerada Hess until January 1995 in the UK North Sea sector.

Mr Endre Ording Sund, chief executive of Anders Wilhelmsen, which is privately owned, said yesterday the company had plans to develop Golar Nor, which has seen six owners in the past eight years. Mr Sund said several companies had expressed interest in becoming a partner.

The deal also gives the group 80 per cent of the shares of Nydalen Company, an Oslo bourse-listed property company, which controls about 500,000 square metres of property in Norway.

Wilhelmsen will secure control of Nydalen's board.

Wilhelmsen also gets a 47 per cent stake in Euronav – the French ship owner in which it will gain a seat on the board – and a 7.5 per cent stake in Vard, the Norwegian cruise and ferry group.

Mr Sund said his company intended to be a long-term investor in Vard.

Yesterday, Vard's shares closed on the Oslo bourse NKr1.25 lower at NKr16.25.

Anders Wilhelmsen already holds 50 per cent of Royal Caribbean Cruise Lines, the world's second biggest cruise group, and Vard's main competitor.

Mr Sund said his company was likely to gain full control of Investa and Golar Nor.

It would soon enter talks with minority creditors.

The deal also brings the group a 50 per cent stake in the semi-submersible drilling rig West Delta, which is part of the drilling fleet of Smedvig, an Oslo bourse-listed drilling rig company based in the Norwegian west coast city of Stavanger.

Northern Telecom shares fall 20% after profits warning

By Bernard Simon in Toronto

NORTHERN Telecom's shares lost about a fifth of their value on the New York and Toronto stock exchanges yesterday after the announcement that the Canadian telephone equipment maker expects a second-quarter loss.

The shares of Northern's parent company, BCE of Montreal, were also hit. The announcement, made after North American markets closed on Friday, included a prediction of "significantly" lower earnings for 1993. Northern's share price was down to C$37.50 at midday in Toronto yesterday, a loss of C$9.88 from Friday's close. BCE, which owns 53 per cent of Northern, was C$1.37 lower at C$44.13.

Northern said that it had been hit by lower-than-expected sales of public switches in Europe and North America, and a squeeze on margins. The computerised switches are among its most profitable products.

Analysts said that Northern appears to be the victim of changing spending patterns among North America's regional telephone companies.

Although overall capital spending has remained roughly unchanged, the emphasis has shifted from switching equipment, which is Northern's strength, to transmission products and cellular technology, where its exposure is relatively small. "Their product mix isn't quite right," said Mr George Podrasky, analyst at Duff & Phelps in Chicago.

Northern also announced the replacement of its chairman, Dr Paul Stern, by Mr Bradford Butler, a former chairman of Procter & Gamble, and a long-serving Northern director.

Dr Stern has been given credit for expanding Northern's international business, but criticised for neglecting customer service, especially of the regional phone companies.

Analysts cut their 1993 earnings estimates to between US$1 and $1.50 a share, from the $2.20 per share previously expected. Earnings in 1992 were $2.17 a share. Northern's second-quarter earnings last year were US$72.3m.

Creditors back Heron debt plan

By Maggie Urry in London

HERON, the property and trading group led by Mr Gerald Ronson, won the support of creditors for its £1.4bn ($2.1bn) debt restructuring plan at a meeting in London yesterday.

There are two further meetings, in the Netherlands and the Netherlands Antilles, to consider the proposals, but these are expected to follow the lead of yesterday's vote.

Of those voting, more than 80 per cent by value, and 75 per cent by number, accepted the proposals. The minimum required was 75 per cent by value and 50 per cent by number.

Heron is also understood to have concluded the restructuring of its US assets, another condition for the refinancing to go ahead. The schemes need ratification by the courts in the three jurisdictions, but completion of the refinancing is expected by the end of July.

At yesterday's meeting Mr Gerald Ronson said that the group could now see "signs of improvement in the sectors in which our trading businesses operate". More than £150m of property sales had been completed or agreed in principle at values above those in the group's business plan.

One financier said after the meeting that the disposals would have been those properties easiest to sell. Later sales would be more critical. "It is those difficult sales at the margin which make the difference between the scheme working or not."

The meeting proved less heated than many had expected. One banker said it was "one of the biggest anti-climaxes I've ever seen". About 20 creditors attended and of them only one raised questions from the floor.

Gerald Ronson, chairman

That was Mr Simon Shane of First Eastern Developments, a Bermudan property consultant, who spoke through his legal representative.

Mr Gary Klesch, a bond dealer who claimed to represent 10 per cent of the group's bondholders and had opposed the proposals, did not attend.

Pacific Dunlop buys Australasian side of Plumrose

By Hilary Barnes in Copenhagen

PACIFIC DUNLOP, the diversified Australian industrial group, has acquired the Australian and New Zealand operations of Plumrose, the foods company, from Denmark's East Asiatic Company (EAC) for A$225m (US$151m).

EAC also announced that the planned sale of its Plumrose companies in the UK and the US to the Danish slaughterhouse group, Vestjyske Slagterier (VJS), would proceed.

VJS and EAC are also co-operating in the development of the Plumrose operations in Germany with a view to a future sale to VJS.

EAC publishes no separate sales and profits figures for the Australian and New Zealand groups, but the performance in 1992 was said in the group's annual report to be "very satisfactory".

The group in Australia produces and markets tomato sauce, pasta, yoghurt and processed meat products.

The sale of the Plumrose operations, as well as the disposal earlier this year of the EAC container shipping line to the Danish A.P. Moller group, will help strengthen the group's finances.

In 1992, the group made a loss of DKr1.18bn ($180m). Equity capital fell to DKr2.55bn from DKr3.82bn on assets down to DKr14.66bn from DKr15.70bn.

Mr Jan Erlund, supervisory board chairman, said yesterday the divestments "will go a long way towards re-establishing a sound and strong EAC".

The group's net interest-bearing debt will be reuced by DKr2.6bn and liquid assets will increase by DKr4bn, according to a statement by chief executive Mr Michael Fiorini.

The reconstruction of the group will mean that equity capital at the end of the first half will be somewhat lower than at the end of 1992, but by the end of the year equity will be "not lower" than at the end of last year, said Mr Fiorini's statement.

Airtours reacts to inquiry by OFT

By Michael Skapinker, Leisure Industries Correspondent

AIRTOURS, the holiday company, will suggest to the Office of Fair Trading that tied travel agency chains should be required to display notices alerting customers that staff will probably recommend the holidays of the parent tour operator.

The OFT wrote to travel companies and trade organisations earlier this month saying it was conducting informal inquiries into links between large operators and travel agents. Companies have been asked to make submissions by July 11.

Mr David Crossland, Airtours chairman, said that the company's submission would say that customers have a right to know whether a travel agent is owned by a tour operator.

He added that it would be impractical to prohibit the payment of incentives and commissions to travel agent counter staff by tour operators.

Airtours, which yesterday announced a half-year pre-tax loss of £15.9m after the £9m cost of its failed bid for Owners Abroad, has bought Cardiff-based Aspro Travel, the UK's seventh largest tour operator.

Airtours loss after bid costs, Page 18

Increased pre-tax loss at Brent Walker

By Maggie Urry in London

BRENT WALKER, the UK property, pubs and betting shop group, has breached and will continue to breach some of the terms of the refinancing which it agreed with its bankers in March last year. It is now finalising a new business plan to put to lenders, which are owed more than £1.3bn ($1.92bn).

Sir Keith Bright, who took over as chairman in January, said it was "essential that a solution to the company's financial problems be found" so that the core businesses could expand.

The group, once headed by Mr George Walker, yesterday reported a £427.4m pre-tax loss for 1992, against a £407.3m loss in 1991. The 1992 accounts, showing a deficit on net assets of £557.9m, up from £455.9m, have been qualified by the group's auditors on a going concern basis.

Brent Walker is not performing in line with the business plan written before Mr Walker left the group in May 1991 and rejigged in October that year.

As well as breaching covenants, Sir Keith said the group's disposal programme of non-core assets "has not developed in the way originally anticipated". He blamed weakness in the property market.

Operating profits of £49.5m, up from £45.6m, were below the level agreed in the original plan. Mr John Leach, finance director, said an earlier end to the UK recession had been envisaged.

The Pubmaster chain of pubs and the William Hill betting shops, the group's two core businesses, had performed well given the trading background and the uncertainty surrounding the company.

Interest charges totalled £204.4m, down from £235.8m in 1991. However, only £65m of interest was paid in cash, with most of the rest being converted into preference shares.

Expedient exit from an awkward situation

Haig Simonian examines plans to allow Italian banks to take stakes in industrial concerns

THE BANK of Italy's proposal to let banks take stakes in industry looks ominously like a case of expediency over invention. The growing crisis at Ferruzzi and other heavily indebted companies suggests the authorities may have no choice but to amend strict rules banning stakes in industrial concerns.

With many big companies in difficulties in the recession, the banks are facing a collective debt crisis. The borrowings of the 10 biggest companies either in voluntary liquidation or in talks with their bankers total more than L50,000bn ($32.5bn). "Italy's banks have painted themselves into a corner and they need to find a way out," says one analyst.

The exit was proposed last month by none other than the Bank of Italy. It has suggested letting banks take up to 15 per cent of industrial companies. The proposal, marking one of the biggest changes to the landmark 1936 banking law, has won cabinet approval and looks set to become law.

"Allowing Italian banks take stakes in industry is like letting the pyromaniacs into the match factory. Their track record on lending is so appalling that I dread the consequences," says one observer.

Mr Antonio Fazio, the new central bank governor, sees things differently. The change has been presented as a step towards new European Community banking rules and the German universal banking model.

Supporters say the German system has stimulated growth by giving companies access to long-term capital. It has helped to isolate the corporate sector from economic instability by giving companies well-informed core investors more interested in long-term development than short-term profits. They hope the reform will transfer the German experience to Italy.

Many banking analysts are more cynical about the reasons for the reform. Italian banks are facing a unprecedented crisis as soaring credit growth in the 1980s has left many companies in difficulty servicing their debts today.

Lending accelerated even faster after 1990, when the Bank of Italy removed its credits ceilings. The increase was boosted by competition in the fragmented banking sector. In the booming 1980s, industrialists could easily play off one bank against another to obtain bigger loans or tighter spreads.

Ferruzzi, which borrowed more than L30,000bn, is the largest of a string of big companies in crisis as a result. Others include the Aga Khan's Ciga hotels chain, which has stopped paying interest on borrowings of more than L1,000bn, Arvedi (steel) and Cameli (shipping and industry). The usual remedy would be a rescheduling, with repayments pushed back to give borrowers more time. But in many present cases, the ratio of companies' debts to earnings is so high that even medium-term recovery prospects look slim.

ITALY'S TROUBLED CORPORATE DEBTORS

Company	Size of net borrowings (Lira bn)*
Ferruzzi Finanziaria	15,129
Cameli group	1,900
Uno Holding	1,400
Ciga	1,200
Sottrici Binda	1,130
Della Carbonara	800
Polli	700
Mendelli	540

*Company estimates

With little hope of quick repayment, changing the rules to allow the banks to swap some of their debts for equity is the obvious expedient. Borrowers pay less interest, while lenders can offset the loss of income against hopes of a potential windfall when they sell their shares once the companies return to health. Some of the biggest industrial stakes held by German banks stem from rescue packages.

Easing Italy's troubled privatisation programme is the other reason for the reform. Recession has hampered disposals by cutting profits at many of the companies for sale, making them less attractive. And potential purchasers, suffering lower earnings themselves, have become more wary of big acquisitions.

Flotations, the alternative to takeovers, are restricted by the limited liquidity of the Milan bourse. The government's room for manoeuvre is further restricted by the dangers of giving private investors too big an incentive to buy privatisation shares. The risk is that savings may be diverted away from short-term government bonds, bought mainly by private investors, which are the main instrument to fund the huge budget deficit.

Allowing big banks to take stakes in newly-privatised companies promises to ease disposals and avoid embarrassing flops. Banks could be temporary shareholders pending an economic upturn, when investor demand and rising stock prices would allow them to sell the shares to longer-term investors.

But the Bank of Italy's plan has already led to a chorus of criticism. The main objection has been the role of the banks, dominated by the public sector, in privatisation. "Rather than privatising, Italy will just be re-nationalising its public-sector companies by selling stakes to state-owned banks," says one critic.

Allowing state-controlled banks to take stakes in privatised companies could also be counter-productive. A number of big banks are also on the privatisation list. Lumbering them with unattractive holdings in newly-privatised industrial companies would compromise their own sale prospects.

Opponents also point to the banks' poor record on lending, which hardly recommends them as future investors in industry. Significantly, bank shares fell after the reform was announced.

However, looming problems with bad debts to industry and the banks' need to improve their capital ratios suggests they may not be in a position to take up the new opportunities, even when offered.

Although debt-for-equity deals look increasingly likely for severe cases, such as Ferruzzi, the number of banks volunteering to buy industrial holdings looks slim. Many are chasing new capital to lift their ratios after the lending boom and are unwilling to plough money into equity stakes.

Banks could finance new positions by selling some of their bond portfolios. But that, too, is unlikely as bond yields are much higher than those on share dividends, meaning that banks' profits would be reduced.

INTERNATIONAL COMPANY NEWS DIGEST

Dutch ministry gives details of PTT sell-off

THE DUTCH finance ministry yesterday said that the previously-announced privatisation of a "majority" stake in Koninklijke PTT Nederland would be of around two-thirds of the shares, in three or four tranches, Reuter reports from Amsterdam.

The ministry said the state would retain a one-third holding, and a "golden share" with special powers.

These powers would include the right to issue preference shares in the event of a hostile stake or takeover bid.

As expected, the first tranche is to be offered some time in the first half of 1994.

"It has not been decided exactly when the first tranche will be offered, but we have been saying some time in the first half of 1994.

"It depends on how good the market is," a ministry spokesman said.

The PTT is wholly state-owned and responsible for post and telecommunication networks in the Netherlands.

It was made into a commercial state corporation in 1989.

The advisers to the sale are expected to be chosen later this week, although PTT itself has already said that US brokerage Goldman Sachs is to be the lead adviser.

Fall in first-half orders at Traub

TRAUB, the German machine-tool maker, said orders in the first half of 1993 were down about 30 per cent compared with the same 1992 period, Reuter reports from Reichenbach. Mr Hans Dieter Poetsch, chairman, told shareholders that foreign orders were down on a year earlier, but that domestic orders had been even more depressed. Traub had a net loss of DM59.9m ($36m) last year after a loss of DM29.6m in the previous 13 months.

ENI chief forecasts return to profit

ENI, the Italian state energy group, will return to profits this year, although the situation was too uncertain for a precise forecast, said Mr Franco Bernabe, managing director, Reuter reports from Brindisi. The group ended 1992 with a consolidated net loss of L815bn ($530m) after making a net profit of L1,100bn in 1991.

VastNed offer for Immocorp shares

VASTNED, the Dutch property fund, said it would make a public offer on all issued shares of Immocorp, the Luxembourg-based real-estate investment fund, Reuter reports from Amsterdam.

"The offer, which will not be increased by VastNed, will be BFr2,150 ($61.43), or DM104.37, per Immocorp share, to be paid in cash," VastNed said.

INTERNATIONAL COMPANIES AND FINANCE

PacTel acquires 51% of Swedish telecoms group

By Hugh Carnegy in Stockholm and Martin Dickson in New York

THREE Swedish companies - Volvo the vehicle maker, Trelleborg the mining group and the high-tech company Spectra-Physics - are to sell a 51 per cent stake in NordicTel Holdings, a mobile Swedish telecommunications group, to Pacific Telesis of the US for $153m.

For Pacific Telesis, the deal represents another significant move to establish itself as an important presence across Europe in mobile communications.

The sale will raise around SKr340m ($44m) for Volvo and Spectra-Physics and SKr200m for Trelleborg. All three companies will remain shareholders in NordicTel, each with an 8 per cent stake.

NordicTel is one of three companies in Sweden operating a digital cellular GSM telephone network. This offers superior voice quality to traditional analog services and allows subscribers to receive and send calls in other European countries with the same technology.

NordicTel, which began service late in 1992, operates under the name Europolitan and has still to complete its network, which covers about 80 per cent of the Swedish population. It also owns a 20 per cent stake in the private Danish GSM operator Dansk Mobiltelefon. It has absorbed a total investment of SKr1bn to date and is not expected to be profitable at least until next year.

Britain's Vodafone mobile communications group owns a 25 per cent stake in NordicTel which is unaffected by the transaction.

Mr Lee Cox, chief executive of PacTel, the Pacific Telesis subsidiary making the acquisition, said Scandinavia was a very attractive cellular market, with one of the highest subscriber penetration rates in the world, and the deal would fit well with the group's other European wireless ventures in Germany, Spain and Portugal.

Pacific Telesis owns a 26 per cent stake in Mannesmann Mobilfunk, which owns and operates D2 Privat, which claims to be the world's largest digital cellular network.

Mr Cox said the deal would increase both the scale and scope of the group's European operations, which, for example, would help it in the purchase of GSM handsets and in rapidly applying lessons learnt in one country to another.

Nissan starts to make it happen in the US

North American prospects are brightening for the Japanese car manufacturer, writes **Martin Dickson**

GANBARO! proclaims a large, hand-painted sign alongside an assembly line in the Nissan automobile company's US plant in rural Tennessee.

The exhortation means "make it happen" and, after a rocky, roller-coaster 10 years of manufacturing in America, the Japanese car company may at last be doing just that.

Nissan's US car sales - excluding the group's Infiniti luxury brand - were up 17 per cent in the first five months of this year, and its market share rose from 4.1 per cent to 4.7 per cent.

Yet, over the same period, compatriots Honda and Toyota saw their market share (excluding luxury marques) drop substantially. Toyota dipped from 8.3 per cent to 7.7 per cent, while Honda fell from 7.3 per cent to 6.4 per cent, due to stronger competition from US rivals and price rises forced on the Japanese companies by the strong yen.

Nissan's market share improvement in the US - when its Japanese parent is losing money - is due mainly to the success of its new and keenly-priced Altima family sedan, which has been selling much more strongly than the car it replaced last autumn, the ageing Stanza.

Nissan desperately needs the Altima to be a winner. For, in contrast to the success of Toyota and Honda, it has had a lacklustre record since it began manufacturing in the US in 1983 - a history which demonstrates Japanese motor companies are far from infallible.

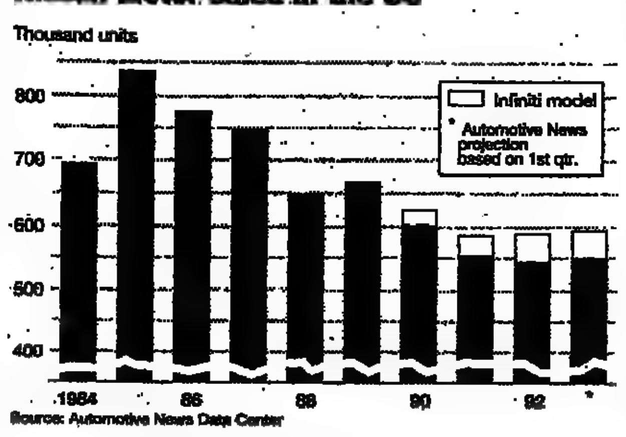
Nissan led the Japanese import charge into the US market in the 1970s. But in the 1980s, Japan's number two manufacturer (after Toyota), shot itself in the foot with a series of strategic errors. US consumers did not warm to its dull, boxy cars and lacklustre dealer network. They were confused by the change of its brand name from Datsun to Nissan and later shifts in marketing and advertising.

It also suffered from a lack of strong products in the more profitable family sedan and mini-van sectors, while its Infiniti luxury cars, introduced in 1989, languished in the shadow of Toyota's more successfully-marketed Lexus range.

As a result, Nissan's US car market share has never been higher than the 5.89 per cent peak reached in 1982, even though Japan's share of the US market has jumped from around 20 per cent to 30 per cent over the past decade. Its unit sales of cars and trucks peaked at 831,000 in the US in 1985 and totalled only 585,000 in 1992.

Now, however, the company is improving on several fronts. The boldly-modelled Altima, which originated from Nissan's Californian design studios, shows the company has become much more attuned to US tastes.

Nissan Motor sales in the US



Source: Automotive News Data Center

The vehicle, manufactured at Nissan's plant in Smyrna, Tennessee, which also makes pick-up trucks and the small Sentra car, has got good marks for quality in independent tests.

The Sentra also scores well in these tests, though it has not always done so: a 1991 study found almost twice as many problems with vehicles made in Smyrna as the same cars made in Japan.

Mr Jerry Benefield, who heads manufacturing operations at Smyrna, rejects suggestions that the plant's quality might have been sometimes less than excellent. But he says the Altima has brought improvements: "We learned to do a better job in design and development, our suppliers are improving, our assembly is improving and the technology to put it together is improving."

For example, some of the $490m invested at Smyrna to produce the Altima was spent on a new "smart" system for assembling vehicle bodies. This is a box-like steel structure which uses lasers to ensure greater accuracy in welding a body shell together.

However, the Altima's success is also due to its low price. Mr Christopher Cedergren, of the California-based AutoPacific consultancy, notes that while the Altima is a very good product, it is priced $1,000 to $2,500 lower than rivals such as the Honda Accord and Toyota Camry.

And that has led analysts to question whether Nissan is using the Altima as a loss-leader to gain market share - and if so, how long it can afford to maintain this strategy, given that its Japanese parent company is also losing money at home.

Still, Nissan's US improvement extends beyond the Altima. The company is doing well with the new Quest mini-van, also designed by Nissan in California but which is being assembled by Ford.

Infiniti is starting to show signs of better market share, helped by a new model and a new advertising campaign. And next year Nissan could get a fillip in the full-sized car market when it introduces a new, keenly-priced Maxima.

The US operations also have a new chief executive - Mr Robert Thomas, 48, who has been with the company 11 years and replaced Mr Thomas Mignanelli. He resigned in April amid rumours that Nissan's headquarters, which needs an improved foreign financial contribution to offset its problems at home, was unhappy at the subsidiary's performance, despite the improving market share.

One of Mr Thomas's first acts was to consolidate Nissan and Infiniti's marketing operations as part of a worldwide Nissan programme to cut costs by 10 per cent.

Mr Thomas says he is not planning further big changes, though he makes clear he wants to improve relations with Nissan's dealer network: "I'm going to spend a lot of time travelling and listening to what dealers have to say."

His predecessor, while sometimes accused by dealers of aloofness, had moved a considerable way in this direction, through a reorganisation which gave more power to regional managers to solve dealers' problems.

However, Nissan's retailers are unlikely to be happy until they have a much more competitive group of vehicles across the product range, including a replacement for the boxy, entry-level car, the Sentra. Mr Cedergren reckons that will not happen until the 1996 model year, when he expects the company to introduce a small car similar to the Altima.

Nissan is now vying with Honda to be the second-biggest Japanese supplier of cars and light trucks to the US market and Mr Thomas's ambition is to "retain and solidify the number two position."

But while the company seems better placed to do so than at any time in the past decade, it also has a long history of false American dawns.

Eastern Sugar buys stake in Slovakian beet refiner

By Maggie Urry and David Buchan

EASTERN Sugar, a joint venture between Tate & Lyle, the UK-based sugar and sweeteners group, and Générale Sucrière of France, has bought a 51 per cent stake in Juhocukor, a Slovakian beet sugar refiner.

Eastern Sugar already holds a 34.6 per cent stake in Kabai Cukorgyar, a Hungarian sugar beet processor.

The joint venture will invest 441m Slovakian crowns ($14.8m) in Juhocukor over the next four years, partly in cash and partly through a technology deal. This will include subscribing to an increase in the share capital, taking Eastern Sugar's stake to 66 per cent.

Following privatisation, the remaining shares in Juhocukor are held by investment funds and individuals.

Juhocukor produces 30,000 tonnes of sugar a year, compared to consumption in the Slovak Republic of up to 200,000 tonnes a year. The country produces about 150,000 tonnes and imports the balance from the Czech Republic.

Générale Sucrière is a subsidiary of Saint-Louis, the French food and paper group.

Inco to sell TVX Gold interest

By Bernard Simon in Toronto

INCO, the international nickel producer, is severing the bulk of its gold interests by disposing of its entire 62 per cent stake in TVX Gold of Toronto.

Inco yesterday raised about C$386m, before commissions, by selling its 81m TVX shares at a price of C$4.65 each to an underwriting syndicate led by Wood Gundy and Burns Fry of Toronto.

An official at Burns Fry said the shares were re-sold to outside investors within an hour of being put on the market yesterday morning. About 40 per cent were distributed in the US and Europe. The US tranche was privately placed with institutional investors.

Until last week, Inco gave no indication that it was interested in selling the TVX stake. But depressed world nickel prices have increased pressure to raise cash by disposing of peripheral assets. "They were astute to sell something that the market was receptive to," the Burns Fry official said.

Inco suffered a US$22.6m loss in the first three months of this year and has long-term debt of close to $1bn. It is expected to post a C$300m gain from the TVX sale, which is due to close next month.

TVX has interests in six gold and silver mines in North and South America. Their production totalled a record 406,000 ounces of gold and gold equivalent in 1992.

TVX's share price has doubled in the past year.

● Dofasco, the Canadian steel group, has launched its third voluntary early retirement programme and a complementary pre-retirement programme, Reuter reports from Toronto.

These two initiatives, for which about 1,400 of Dofasco's 8,200 employees are eligible, will be funded largely from surplus in the company's pension plan.

LTV coming back to the stock market

LTV, the US steel company at the centre of one of the longest and most contentious US bankruptcies is coming back to the stock market, writes Nikki Tait in New York.

The company said yesterday the New York Stock Exchange had approved trading of LTV's new common stock and its series A warrants on a "when issued" basis.

The return marks the end of a Chapter 11 bankruptcy process which began in July 1986. LTV finally had a plan of reorganisation confirmed by the bankruptcy court on May 27.

YPF's equity offering heavily oversubscribed

By Damian Fraser in New York and John Barham in Buenos Aires

THE Argentine government's ambitious privatisation of the oil and gas concern YPF has met huge investor demand, with the company's $2.5bn initial equity offering several times over-subscribed.

The privatisation is Argentina's most important to date, and is considered both critical to government economic reform programme and a test of the country's acceptance by international capital markets.

The government had offered an initial 31 to 35 per cent stake in YPF, with some 52.5m shares for sale in the US, 25m in Argentina, and 32.5m in the rest of the world. The share price was expected to be set at the top end of the $17 to $20 range, with an announcement planned after the US markets closed yesterday.

Brokers said demand was especially high in the US, with its allotment more than four times over-subscribed.

In Argentina, caution turned into enthusiasm as those willing to invest more than $10,000 reportedly bid more than 10 times their allotment of $100m.

Anheuser-Busch takes 5% stake in Chinese brewer

By Simon Davies in Hong Kong and Nikki Tait in New York

TSINGTAO Brewery, China's largest beer exporter, will today become the first Chinese registered company to issue shares in Hong Kong, via an offer of "H" shares to raise HK$889m (US$115m).

The proceeds include the HK$126m purchase of a 5 per cent stake by Anheuser-Busch, the largest US brewer, which is buying 45m shares as a strategic investment to expand its presence in China.

Faced with a mature market at home and a patchy diversification record, Anheuser has been emphasising plans to expand geographically. Since the start of the year, it has struck deals in Italy, Japan and Mexico – in the last case, by buying a 17.7 per cent interest in Grupo Modelo, the leading local producer.

Analysts believe that Tsingtao's internationally-recognised brand name and its access to the Chinese market will ensure that the issue is massively oversubscribed.

Denway Investment, the Hong Kong holding company for a Chinese car manufacturing business, set the record for oversubscription in February, when its HK$402m public offer attracted HK$240bn from investors.

The recent weakness of the Chinese currency has dampened demand for shares in Chinese companies but as a major exporter, Tsingtao will be comparatively unaffected.

It is the first of nine state companies selected by China's Securities Committee for flotation in Hong Kong and the Chinese government will be anxious to attract a positive response for the issue.

Tsingtao is offering 317.6m new shares at HK$2.80 per share, representing 35 per cent of its enlarged issued share capital.

A further 11 per cent of Tsingtao's shares are earmarked for Chinese investors, in the form of "A" shares, to be traded on the Shanghai stock exchange. This was scaled down, as a result of the lacklustre performance of the Chinese stock markets, and the government's desire to see savings channelled into bonds.

Tsingtao's profits are forecast to rise to Yn193m ($33m) this year from Yn44m in 1992. However, there is unlikely to be any significant further growth until 1995, when its fourth brewery will be completed.

Three other state companies, Shanghai Petrochemical, Guangzhou Shipyard and Beijing Renmin Machinery, are also due to launch offers within the next month.

Primerica backs investment veteran against Merrill

Robert Greenhill has been snapped up to strengthen the group's weak link, writes Patrick Harverson

MR SANFORD Weill's delight was undisguised when he announced last week that Mr Robert Greenhill, the former president of Morgan Stanley, had agreed to be chairman and chief executive of Smith Barney Shearson.

Mr Weill, chairman of the financial services group Primerica, had created Smith Barney Shearson in March when he bought the stockbroking and asset management business of Shearson Lehman from American Express, and merged it with Primerica's Smith Barney securities unit.

The $1bn merger created a brokerage house to rival almost any on Wall Street. Yet the new operation, for all its *strengths in retail* stockbroking and asset management, lacked a presence in one crucial area – investment banking. When Smith Barney, a purely retail firm, merged with Shearson Lehman, the latter's investment banking operation had stayed with American Express.

At the time of the Shearson acquisition, Mr Weill appeared content to concentrate on retail stockbroking. Yet, the unexpected availability of Mr Greenhill, who suddenly stepped down as Morgan Stanley president in March having missed out in the race to be chairman, clearly revived his interest in turning Smith Barney Shearson into an investment banking powerhouse as well.

In the 56-year-old Mr Greenhill Mr Weill has landed not only a close friend and adviser (the two are neighbours in Connecticut), but one of Wall Street's premier investment bankers.

In his 31-year career at Morgan Stanley, Mr Greenhill created the firm's mergers department and later ran its investment banking business for 13 years.

During the 1980s he worked on some of the biggest corporate deals of the era, servicing a roster of blue-chip clients that included IBM, General Motors and RJR Nabisco.

The former Morgan Stanley banker now has the job of building up Smith Barney Shearson's investment banking muscle to the point where the firm can wrestle with the only integrated brokerage and investment banking firm on Wall Street of a comparable size – Merrill Lynch.

It is a formidable task. The two firms are in the same league when it comes to retail broking; Merrill has 12,700 brokers, who generated brokerage commissions of $714m in the first quarter of this year; Smith Barney Shearson has 11,600 brokers, who brought in a combined $576m of commissions over the three months.

Merrill also has the lead in asset management, with about $500bn of US customer assets under its control, compared with $310bn for Smith Barney Shearson.

It is in the investment banking arena, however, that Merrill dwarfs the Primerica unit.

Sanford Weill (left) hopes Robert Greenhill (right) will bring Morgan Stanley clients with him to Smith Barney Shearson

In the first quarter, Merrill's revenues from investment banking totalled $445m, whereas Smith Barney Shearson's combined revenues were only $121m.

Mr Greenhill's job is to close that gap.

There is plenty of logic behind the move into investment banking. At the best integrated securities firms, the retail stockbroking and investment banking businesses have a truly symbiotic relationship – the brokers need the investment bankers to create products (corporate stocks and bonds) that they can sell, while the investment bankers need the brokers' network of investors to sell their products.

If Smith Barney Shearson chose not to develop an investment banking operation, the distribution capabilities of its retail broking business would go to waste.

As Mr Weill put it last week: "We're going to build . . . a great investment banking and brokerage company. It would be very hard to be terrific in one part and not terrific in another part."

Or, as Mr John Keefe, an independent securities industry analyst, says: "With all that new sales capacity which came with Shearson, they needed a bigger investment banking presence."

Mr Weill's ambition to build an integrated securities house, however, is not easily achieved. Merrill remains the only firm successfully to run large broking and investment banking businesses side by side. The last one that tried, Shearson Lehman, failed miserably, and the attempt ended in American Express selling Shearson's broking business to Primerica.

Smith Barney Shearson could run into one of the problems that bedeviled Shearson Lehman – the inability of two different business cultures to mix.

At Shearson Lehman, the *blue-blooded, relationship-oriented* world of investment banking clashed with the more free-wheeling, sales-oriented world of retail stockbroking, and the result was a lot of unhappy executives, not much synergy, and disappointing earnings.

The culture clash issue is real. Mr Greenhill is a characteristically cultivated and reserved Morgan Stanley banker, while his new colleagues at Smith Barney Shearson (especially the firm's president-to-be, retail chief Mr Joseph Plumeri) are motivational managers used to handling an army of hard-selling brokers. Mr Greenhill, however, is not unnerved by the prospect of working alongside an entirely new breed of Wall Street professional: "It should be a lot of fun," he says.

Throughout his business career, the Primerica chairman has generally had a good sense of timing, but some analysts question Mr Weill's decision to push Smith Barney Shearson into investment banking at a time when the business is enjoying an unprecedented boom. Some fear the current strength of the market may cause Smith Barney Shearson to expand too much, too quickly.

Although he applauds the hiring of Mr Greenhill, industry analyst Mr Keefe says: "My concern is how much the industry can stand . . . especially when the business gets tough again. This is a difficult environment from which to judge the future because it's so active and so profitable."

Although Smith Barney Shearson plans to shed about 1,200 support staff following the merger of the two firms, it will soon start hiring investment bankers. Fortunately, several years of industry consolidations mean there is a large pool of unemployed bankers waiting to return to Wall Street.

Mr Weill will also be hoping that Mr Greenhill brings some of his old Morgan Stanley clients with him to Smith Barney Shearson. "It's a free country, and clients will do business with whom clients want to do business."

The new Smith Barney Shearson chairman does not lack an incentive to work hard. Three days after he agreed to take the job, Mr Greenhill spent $35m of his own money on Primerica stock. The day after, the stock price climbed 7 per cent on the news of his hiring, adding $2.4m to the value of his holding.

The price rise added considerably more to Mr Weill's substantially bigger stake in Primerica – another reason for last week's smiles.

Macquarie Bank profit up by 27% to A$60m

MACQUARIE Bank, the Australian investment bank in which the TSB group of the UK has a near 15 per cent stake, reports net profits of A$59.8m (US$40m) for the year to March, up 27 per cent on the previous 12 months, Reuter reports from Sydney.

Macquarie said 31.5 per cent of income was generated by trading activities, 32.7 per cent by fees and commissions, and 35.8 per cent by interest margins.

It said provisions for bad and doubtful debts fell to A$2.6m from A$7.7m in 1991-92.

Australian financial institutions hold about 75 per cent of the bank, with the balance held by directors and staff.

Total assets rose by 32.5 per cent in the year to A$3.17bn at the end of March.

The bank's capital adequacy ratio advanced to 13.39 per cent, more than 5 percentage points above the Reserve Bank of Australia's minimum requirement.

Guinness Nigeria to raise $27m

By Paul Adams in Lagos

GUINNESS, the brewing group, has underwritten an investment of N750m ($27m) in Guinness Nigeria.

The investment is the largest made in Guinness Nigeria. Nigeria is the third-largest market for Guinness, after Ireland and the UK. In 1992, the company increased pre-tax profits by 40 per cent to N238m.

Guinness Nigeria will issue irredeemable convertible loan stock structured by First City Merchant Bank in Lagos. It will not be eligible for repayment and the interest rate will be linked to the yield on Guinness Nigeria's shares.

The loan stock will be raised in foreign currency but denominated in naira, which allows the company a fixed rate of exchange at the date of issue.

Like most Nigerian manufacturers, most of Guinness's costs are for imported capital goods and spare parts. Last year, Guinness Nigeria raised N150m on the local stock market just before it lost 80 per cent of its foreign exchange value in the March 1992 devaluation.

The proposed new investment has important implications for the future ownership of the company. Foreign equity ownership is limited to 40 per cent. Guinness holds 25 per cent and Unilever 15 per cent.

If the new issue is undersubscribed by Nigerian investors, Guinness will take up most of the loan stock, which could be converted to equity if the decree on foreign investment is changed.

Malaysian steel plan revised

AMALGAMATED Steel Mills, Malaysia's largest steelmaker, has found new partners for a multi-billion Malaysian dollar steel-mill project, AP-DJ reports from Kuala Lumpur.

Schlemann-Siemag, of Germany, will supply equipment and licensed technology, and Nucor Steel, of the US, will also participate in the project, the first phase of which would cost M$2.4bn (US$928m).

The plans replace a venture with the Taiwan's government-owned China Steel which was terminated recently.

Controlling interest in Univa to fetch C$200m

By Robert Gibbens in Montreal

DEBENTURE holders of Unigesco, the holding company of Mr Bertin Nadeau, the Montreal entrepreneur, have cleared the way for the sale of his 26 per cent controlling stake in Univa, Canada's second biggest food distributor.

The stake is changing hands for almost C$200m (US$156m). Mr Nadeau has controlled Univa since 1986 through the heavily indebted Unigesco, his own holding company.

Unigesco faces a C$45m debenture maturity this month. Last week, the debenture-holders approved the sale of 26 per cent of Univa plus a general restructuring of Unigesco's borrowings.

The buyer of 22.5 per cent of Unigesco was the Caisse de Depot, the Quebec public pension fund manager.

The balance of the stake was taken up by the Ontario Teachers Pension Board in exchange for a C$25m Unigesco debenture.

INTERNATIONAL CAPITAL MARKETS

Speculation over interest rate cut fuels French prices surge

By Peter John in London and Patrick Harverson in New York

FRANCE stood tall in a strong European government bond market yesterday as rate cut enthusiasm held sway and drove prices forward.

However, the yield spread between 10-year French and German government bonds remained slightly wider, at eight basis points, as Germany also benefited from encouraging inflation data.

GOVERNMENT BONDS

On the Matif, French government bond futures for September shot ahead by more than half a point during official trading. They broke through 120 before late profit-taking took the contract back to 119.92, still a gain of 60 basis points on the day.

Some economists are starting to feel the value in the French market is beginning to dry up. Although Ms Marie Owens Thomsen of Midland Global Markets takes that line, she believes France still has room for three more 25-basis point cuts in its intervention rate – the rate that sets the floor for official rates – independently of any German move.

Part of yesterday's rise sprang from a technical correction after falls on Friday. However, there was also a boost from signals coming out of Germany: if Germany can cut rates it will give the Banque de France much greater room for manoeuvre.

Interest in the French market was fuelled by a press report arguing that France might quit the European exchange rate mechanism if Germany refused to ease monetary policy. Economists said the report was refuted by French officials and had no impact on prices. However, it did encourage fierce debate.

■ GERMAN debt prices picked up in reaction to comments from the Bundesbank and reassuring economic data.

The comments came from Mr Hans Tietmeyer, vice-president of the Bundesbank, who indicated in a radio interview he would be keen for German interest rates to fall.

Also, the market was surprised by the latest consumer prices data, which showed inflation rising at 0.1 per cent against 0.3 per cent a month ago. September bunds bounced 0.33 per cent to 95.67.

However, there was a growing consensus that the Bundesbank will leave its discount rate unchanged at 7.25 per cent when it meets on Thursday for its fortnightly council meeting. Most economists are now looking ahead to the following meeting on July 15. That meeting comes just befores the G7 meeting in Tokyo, and just after the German cabinet's budget proposals.

"The Bundesbank is looking for the right pre-conditions to cut rates. We need something astonishing and the inflation change is not it," said one economist.

■ UK government bonds rose sharply as a stronger pound prompted continued overseas buying of gilts. A survey of dealers and analysts in the weekend press found that almost half of the specialists interviewed believed sterling would become the strongest currency in Europe over the next three months.

The well-timed research sent the pound jumping sharply in early trade to hit DM2.54. That strength gave a renewed incentive to the overseas investors, particularly those from the Far East, who have been switching out of 10-year French bonds and into the UK equivalent.

Long-dated gilts performed most strongly as investors held stock ahead of tomorrow's auction of £3.25bn of 8 per cent 10-year gilts.

In the futures market, the September gilts contract was up half a percentage point before profit-taking took it back to close $\frac{5}{32}$ higher at $107\frac{5}{32}$.

■ IN the high-yielding European government bond markets, Spain and Italy were overshadowed by political worries.

The struggle by Mr Carlo Ciampi, the Italian prime minister, to force employers and trade unions to agree on a new wage bargaining system lay behind weakness in Italian government bonds. Alone in Europe, the government bond futures market was weaker with the September contract falling 28 basis points to 102.32.

However, Spanish bonds for September clawed back some of Friday's losses in spite of enduring concern over prime minister Mr Felipe Gonzáles' ability to form a coalition government. September bonds traded in Barcelona bounced 0.60 point to 92.90 after a 1.25 point slide on Friday.

Portuguese bonds rose after the Bank of Portugal cut its intervention rate by half a point to 11.5 per cent.

■ OVERNIGHT demand from foreign investors, the lack of supply pressures, and expectations that Friday's employment report for June will be weak pushed US Treasury bond yields to historic lows yesterday morning.

By midday, the benchmark 30-year government bond was up $\frac{3}{32}$ at $105\frac{11}{16}$, yielding 6.679 per cent, the lowest yield in the issue's history.

At the short end, the two-year note was only slightly firmer, up $\frac{1}{32}$ at $100\frac{3}{32}$, to yield 4.059 per cent.

Prices opened firmer in the wake of demand from overseas markets – particularly London – believed to have been a follow-through from heavy buying on Friday, when bond yields closed at an all-time low.

In New York, the market was supported by two factors: expectations that Friday's jobs data will be weaker than originally forecast, and the lack of fresh supply in coming weeks (the next big sale of securities is not scheduled until late July).

FT FIXED INTEREST INDICES

	June 28	June 25	June 24	June 23	June 22	Year ago	High *	Low *
Govt Secs (UK)	97.20	96.88	96.87	96.63	96.50	88.84	98.04	93.28
Fixed Interest	114.83	114.60	114.57	113.99	113.78	104.76	114.83	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 114.83 (28/6/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	June 25	June 24	June 23	June 22	June 21
Gilt Edged Bargains	98.6	113.2	108.1	105.1	105.6
5-Day average	105.7	107.1	104.9	103.8	105.6

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	113.3701	-0.083	7.58	7.80	7.57
BELGIUM		9.000	03/03	113.2500	+0.440	7.07	7.18	7.38
CANADA *		7.250	06/03	99.4500	+0.350	7.33	7.37	7.52
DENMARK		8.000	05/03	108.0000	+0.800	6.86	6.97	7.52
FRANCE	BTAN	8.000	05/98	107.7822	+0.418	6.09	6.21	6.70
	OAT	8.500	04/03	112.6000	+0.520	6.70	6.80	7.22
GERMANY		6.75	04/03	100.7850	+0.400	6.63	6.70	6.86
ITALY		11.500	03/03	101.8800	-0.130	11.48†	11.50	12.40
JAPAN	No 119	4.800	06/99	102.7843	+0.268	4.22	4.24	4.49
	No 145	5.500	03/02	107.0723	+0.167	4.38	4.43	4.59
NETHERLANDS		7.000	02/03	103.9900	+0.480	6.42	6.51	6.70
SPAIN		10.300	06/02	100.8101	+0.171	10.15	10.33	10.95
UK GILTS		7.250	03/98	101-14	+6/32	6.88	7.00	7.14
		8.000	06/03	102-12	+9/32	7.65	7.76	8.10
		9.000	10/08	108-23	+19/32	8.00	8.13	8.50
US TREASURY *		6.250	02/03	103-11	+11/32	5.79	5.91	6.11
		7.125	02/23	105-22	+18/32	6.69	6.80	6.93
ECU (French Govt)		8.000	04/03	106.4100	+0.620	7.07	7.14	7.51

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Strong overseas demand for first sterling deal from Osaka Gas

By Tracy Corrigan

TWO sterling deals, for Sweden and Osaka Gas, were the main focus of attention in a lively session yesterday. Weekend newspaper reports boosted positive sentiment on the pound, which followed through into the gilt and Eurosterling bond markets.

The Osaka Gas deal, which was widely marketed last week, caught investor interest, partly because it was its first issue in the sterling bond market. Dealers said the deal was rapidly sold out.

INTERNATIONAL BONDS

According to the lead manager, Barclays de Zoete Wedd, demand for sterling paper from overseas meant that the deal was heavily oversubscribed. However, placement was concentrated among UK investors, as Osaka Gas designed the issue to expand its investor base in the UK.

The company raises a large proportion of its debt in the Eurobond market, and has already tapped the French franc, dollar, Euroyen and D-Mark sectors.

The £150m, 10-year issue was priced to yield 40 basis points over the comparable gilt, which dealers said was an attractive level for a utility-rated AA2 by Moody's and AA- by Standard and Poor's. By the end of the day, the spread had tightened to 38 basis points over the gilt yield.

Mr Yasuo Ryoki, senior assistant manager of the finance department at Osaka Gas, said the deal had been swapped into fixed-rate yen at a level that was "very competitive" with the Japanese long-term prime rate.

He said his company would launch a small Euroyen deal today.

Sweden's £350m seven-year issue met a slightly less enthusiastic response, though it also benefited from demand for sterling bonds, and from improving sentiment on Sweden's credit-worthiness.

Last year, when the Swedish kronor was devalued amid currency turmoil and the country's economy was widely perceived to be in severe difficulty, spreads on Sweden's Eurobonds widened dramatically.

They have, however, improved steadily since the start of this year. For example, Sweden's recent Ecu500m, seven-year deal, launched at 5 basis points over the comparable Ecu OAT, is now trading at 14 basis points below.

While some of Sweden's debt fell prey to asset-swappers last year, this deal represents floating-rate funding of around Libor flat, according to dealers.

Dealers said the seven-year maturity was attractive, since there had been a lack of paper in that area of the yield curve this year. According to co-lead manager JP Morgan, there has been £5.8bn of five-year paper, £4bn of 10-year paper, and just £600m of seven-year paper to date.

Nevertheless, the pricing of the deal was perceived as slightly aggressive at a launch spread of 33 basis points over the 9 per cent gilt due 2000.

In the dollar market, Tokyo Electric Power Company launched a large $1bn, 10-year issue via Goldman Sachs. Dealers reported strong demand from eastern Asia but said European investors had been distracted by speculation about European interest rates and currencies, and were not currently focusing on the dollar sector.

Goldman took the lion's share of the deal, which was launched at 36 basis points over the 10-year US Treasury.

In the D-Mark sector, Turkey launched a DM500m deal, increased to DM750m, via DG Bank. The deal was priced at 220 basis points over the comparable Bund.

● Peugeot Finance International has announced a £100m Euro commercial paper programme, with a multi-currency option. The programme is rated A1 by Standard & Poor's.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Tokyo Electric Power Co.	1bn	6.125	99.182R	Jul.2003	0.325R	+36 (6¼%-03)	Goldman Sachs Intl.
Hitachi Credit Corp.	100	5.5	99.18R	Jul.1998	0.3R	+49 (5¼%-98)	UBS
D-MARKS							
Republic of Turkey	750	8.75	101.65	Jul.2003	2.5	-	DG Bank
STERLING							
Kingdom of Sweden	350	7.625	99.244R	Jul.2000	0.3R	+33 (9%-00)	BZW/ JP Morgan
Osaka Gas Co.	150	8.125	99.468R	Aug.2003	0.35R	+40 (8%-03)	Barclays de Zoete Wedd
Abbey Nat. Treasury Services‡	100	(a)	100R	Jul.1998	0.2R	-	Lehman Brothers Intl.
FRENCH FRANCS							
Crédit National(b)	1bn	7.25	101.62R	May.2003	0.375R	+34 (6¾%-03)	CCF
Soc. Gén. Acceptance‡	500	(c)	99.5R	Sep.2003	0.5R	-	Société Générale
CANADIAN DOLLARS							
Bayerische Vereinsbank	150	7.125	99.8R	Jul.1999	0.3R	+40 (6¼%-98)	Paribas Capital Markets
GUILDERS							
Rabobank Nederland	500	6.25	100.05R	Jul.1998	0.2R	+15 (6¼%-98)	Rabobank Nederland
AUSTRALIAN DOLLARS							
Commonwealth Bk. of Australia	100	7.625	100.725	Aug.2003	2.125	-	CBA

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 6-month Libor + 0.25%; maximum 8.75%. b) Fungible with the outstanding FFr2bn. Plus 74 days accrued interest. c) Coupon pays 7% fixed annual in first year and 15.75% - 1.5 x 3-month Pibor thereafter.

CBOT may lose main stock index contract

By Laurie Morse in Chicago

THE Chicago Board of Trade may lose the right to trade its biggest stock index futures contract, the Major Market Index.

The CBOT's cross-town rival, the Chicago Mercantile Exchange, is negotiating to add the product to its own cache of stock index futures products. The New York Futures Exchange is also lobbying to obtain rights to trade MMI futures.

The CBOT trades MMI futures under licence from the American Stock Exchange, which invented the 20-stock high capitalisation index in 1983. The Amex trades options on the instrument, which is designed to track the movements of the closely-watched Dow Jones Industrial Average.

The CBOT's agreement with the Amex expires in October. It is understood that the Amex is considering a more profitable venue for the futures contract, and this could possibly end 10 years of co-operation with the CBOT.

Although the CBOT's MMI futures traded in excess of 10,000 contracts per day before the 1987 stock market crash, daily volume has since fallen to about 800 contracts. Fewer than 25 CBOT members are committed to trading the index futures.

The CME is thought to be a strong contender for the MMI, because it has several hundred traders dealing in its successful S&P 500 stock index futures pit. CME traders say the MMI would provide spreading opportunities with the broad-based S&P 500 futures.

Ms Kathy Fitzpatrick, Amex spokeswoman, confirmed the Amex was talking with the CME about the MMI futures licence, but said no decision has been made.

Mr Fred Grede, the CBOT's vice-president for administration, said the exchange was in negotiations with the Amex to retain the MMI contract. He expected a decision during July.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 5.55 pm on June 28

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	59	3	14
Other Fixed Interest	3	0	12
Commercial, Industrial	292	166	923
Financial & Property	268	50	482
Oil & Gas	11	16	56
Plantations	0	0	8
Mines	75	12	52
Others	38	40	64
Totals	746	307	1,601

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-
62	Nil	4/8	10pm	8pm	Burford	8pm	
150	Nil	12/7	54pm	59pm	Crabtree	53pm	
55	Nil	6/8	2½pm	1pm	Ferraris	2½pm	
285	Nil	11/8	56pm	41pm	Hammerson	44pm	+1
255	Nil	11/8	55pm	41pm	Do A N/V	44pm	+1
350	Nil	27/7	57pm	39pm	MEPC	48pm	+7
320	Nil	9/8	75pm	65pm	Matthew Clark	72pm	+2
132	Nil	4/8	21pm	18pm	Norcros	21pm	
102	Nil	28/7	29pm	20pm	Sanderson Murray & E	26pm	
18	Nil	21/7	14pm	6pm	Sleepy Kids	6pm	-1

b Figures based on prospectus estimates. ¥ Figures based on IIMR 'Headline Earnings' draft proposals. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. ✤ Unlisted securities market. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings — June 28
- Last Dealings — July 9
- Last Declarations — Sep. 30
- For settlement — Oct. 11

3-month call rate indications are shown in Saturday editions.

Calls in Ferranti, Metrotect, Porter Chadburn, Premier Cons., Ryan Hotels, Tullow Oil and Wace. Puts in AAF Inds., Millwall and Norman Hay. Double in Mid-States.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

[illegible]

Option		Jul	Oct	Feb	Jul	Oct	Feb
Grand Met	420	17	33	44	10½	19½	31
(*431)	460	4½	16½	27½	37	43½	54
Ladbroke	160	22½	28	32	2½	8½	11½
(*178)	180	8	16	21	9½	18½	21
Utd Biscuits	390	18	34½	43½	13	23½	33
(*394)	420	6	21½	31½	32	41	50½
Option		**Jul**	**Oct**	**Dec**	**Jul**	**Oct**	**Dec**
Fisons	160	22	29½	33	3½	9½	12
(*177)	180	8	19	20	11½	19½	24

June 28 Total Contracts 22,206
Calls 12,908 Puts 9,298
FT-SE Index Calls 3,185 Puts 1,884
Euro FT-SE Calls 795 Puts 35
*Underlying security price. †Long dated expiry months.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Mon Jun 28	Day's change %	Fri Jun 25	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	127.53	+0.10	127.63	1.52	5.94
2	5-15 years (22)	149.48	+0.38	148.94	2.88	6.65
3	Over 15 years (9)	163.91	+0.68	162.80	2.37	4.56
4	Irredeemables (6)	182.87	+0.18	182.52	1.12	7.35
5	All stocks (62)	146.66	+0.34	146.25	2.03	6.13
	Index-Linked					
6	Up to 5 years (2)	185.17	+0.07	185.04	1.16	1.92
7	Over 5 years (11)	174.82	+0.08	174.67	0.69	2.62
8	All stocks (13)	174.91	+0.08	174.78	0.74	2.53
9	Debs & Loans (68)	132.92	+0.37	132.44	2.56	5.09

AVERAGE GROSS REDEMPTION YIELDS

			Mon Jun 28	Fri Jun 25	Year ago (approx.)
	British Government				
1	Low	5 years	6.96	7.00	8.19
2	Coupons	15 years	7.93	7.99	8.89
3	(0%-7¾%)	20 years	8.08	8.13	8.89
4	Medium	5 years	7.13	7.17	9.22
5	Coupons	15 years	8.01	8.09	9.06
6	(8%-10¾%)	20 years	8.11	8.18	9.02
7	High	5 years	7.31	7.38	9.37
8	Coupons	15 years	8.29	8.34	9.37
9	(11%-)	20 years	8.33	8.39	9.37
10	Irredeemables(Flat Yield)		8.26	8.27	9.18
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.99	3.01	3.09
12	Inflation rate 5%	Over 5 yrs.	3.54	3.55	4.33
13	Inflation rate 10%	Up to 5 yrs.	2.23	2.24	3.25
14	Inflation rate 10%	Over 5 yrs.	3.36	3.36	4.15
15	Debs &	5 years	8.22	8.61	10.54
16	Loans	15 years	8.99	9.02	10.35
17		25 years	9.15	9.19	10.24

Rentokil offer 'completely fails to recognise' future prospects

Securiguard climbs to £3.53m

By Angus Foster

SECURIGUARD, the security and cleaning company facing a hostile £59.2m bid from Rentokil, yesterday announced sharply higher interim profits and said the offer price of 270p a share "completely fails to recognise" its future prospects.

Pre-tax profits grew 36 per cent, from £2.6m to £3.53m, in the six months to May 16, slightly ahead of expectations. The company made no full-year profit forecast, but said it intended to recommend a 22 per cent rise in total dividends for the year.

The shares, which have traded above the offer price since the bid was launched last month, yesterday closed unchanged at 309p. Rentokil, which wants to add Securiguard's guarding and cleaning activities to its own business services, has until midnight next Tuesday to decide whether to raise or declare its bid final.

Mr Alan Baldwin, chairman of Securiguard, said he last week received a second letter from Rentokil offering talks. "But there's nothing to discuss. I think Rentokil has got to rethink. (The offer) is way, way away from where it should be," he said.

Rentokil said the company would look at the interim figures in detail before deciding its next move.

Securiguard's profits were lifted by a higher than expected contribution from its communications division, which mainly involves the City Link parcel delivery service. Trading profits more than doubled to £1.03m even though turnover was only 17 per cent higher.

Mr Baldwin said the division was helped by volume increases and previous investment. He said profits growth was "very sustainable".

Group turnover increased 8 per cent to £95.8m while trading profit increased 20 per cent to £4.08m. Net borrowings remained stable at "about £10m", according to Mr Baldwin, while interest costs fell slightly to £549,000 (£792,000).

The security division increased trading profits 12 per cent to £1.84m. New contracts were won worth £8.5m a year and the company said it was soon to start work on its first German contract.

The personnel division, which has been hit by losses at its HeMan construction services subsidiary, incurred losses of £426,000 (£511,000). Mr Baldwin said HeMan's markets had improved, but it was too early to say if the division would break even this year.

Earnings increased 36 per cent to 11.7p (8.6p). The interim dividend is increased from 3.5p to 4.5p. Securiguard said it intended to recommend full year dividends of "at least" 11.5p – a 22 per cent increase.

See Lex

GPT gets payphone boost from Venezuela

By Andrew Adonis

GPT, the UK telecommunications manufacturing subsidiary of GEC and Siemens, has won a £9m payphones contract from Venezuela, taking payphone orders from Latin America to more than £30m in the past year.

Latin America, a rapidly growing market for GPT's payphones division, is expected to help lift the division's sales from £82m last year to more than £90m this year.

With the latest order GPT will have supplied more than 80,000 phones to the continent.

The Venezuela contract, awarded by the country's privatised telephone company against strong competition from Japanese suppliers, is for additional payphones – card and multi-payment variants – together with a national cashless calling systems and the expansion of the existing payphone management system.

It follows a £12.6m contract won last October, as part of Venezuela's programme of upgrading its public phone network.

GPT manufactures its new generation of "intelligent" payphones, which accept credit cards and smart cards with microcomputers embedded within them, at its plant in Chorley, Lancashire.

GPT now supplies payphones and associated management systems to 60 countries.

Airtours loss at £16m after abortive bid costs hit £9m

By Michael Skapinker, Leisure Industries Correspondent

AIRTOURS, the acquisitive holiday company, yesterday announced a first-half pre-tax loss of £15.9m, including £8.99m spent on the failed bid for its rival Owners Abroad.

The comparative deficit was £5.6m.

The results for the six months ended March 31 1993 also included a £2.3m loss from Pickfords Travel, the travel agency chain purchased last year.

Travel companies are usually in the red in the first half because they have already begun to pay some of their summer season costs.

Costs of the Owners Abroad bid, which were slightly below expectations, included a £3.9m loss on the Owners Abroad shares incurred during the attempted takeover.

The other £5.1m consisted of underwriting commissions and professional fees.

Turnover increased 45 per cent to £147.3m.

Losses per share came to 15.27p (4.29p) but the interim dividend is raised to 1p (0.55p).

Mr David Crossland, chairman, said he stood by his forecast made during the Owners bid that the dividend for the ful year would be lifted by not less than 20 per cent.

He said that Airtours summer 1993 bookings were up 23 per cent in a market which was growing overall by 6 per cent.

Trevor Humphries

David Crossland, chairman (left), with finance director Harry Coe. Summer bookings for 1993 ahead by 23 per cent

COMMENT

However disappointed Airtours might have been in failing to capture Owners earlier this year, it has come out ahead in market share. Owners has always said it was more interested in profit than market share. Nevertheless, it must be galling to see Mr Crossland claim second place to Thomson with 15.2 per cent of 1993 summer business, compared with 13.8 per cent for Owners. Mr Crossland needs to show progress in integrating Pickfords, Hogg Robinson and Aspro before he makes further acquisitions, although he has not lost interest in continental Europe. Expected profits of £45m, before the cost of the bid, and earnings of 30p put the shares on a multiple of 10.3. Given that Mr Crossland claims a pre-tax profit per passenger of £21.60 on the tour operating side, compared with £12-£13 for Thomson and Owners, that might look mean. But few can forget how volatile the travel business has been in the past, and it will take several seasons of stability to change that. There is also the additional cloud of the OFT inquiry. If Airtours still looks in such fine shape when that passes, its attractions might become more obvious.

Widney shares suspended for purchase

Shares in Widney, the maker of windows and water treatment, power transmission and electronic equipment, were suspended at 7p yesterday after it announced it was making an acquisition.

At the same time it reported increased pre-tax losses of £417,000 for the six months to April 3, against £155,000 restated for FRS 3. Turnover was £9.88m (£9.69m). Losses per share were 0.91p (0.43p).

The consideration involves an initial payment of £3.2m satisfied by shares and a further profit-related payment to a maximum £800,000.

The vendors are placing shares worth £1.76m and Widney is raising a further £3.8m in a placing to cover acquisition costs and for working capital. Both are subject to open offers to existing shareholders.

After the purchase, the company intends seeking approval for cancelling part of the share premium account equal to the debit balance on the profit and loss account allowing proposals for clearance of the arrears of the preference dividends.

Berkeley beats housing rivals with 25% increase to £15.8m

By Paul Taylor

BERKELEY GROUP, the Surrey-based housebuilder, underscored its ability to outperform its rivals yesterday when it reported a 25 per cent increase in profits.

The pre-tax line jumped to £15.8m in the year to April 30 compared with £12.6m last time – comfortably ahead of the £15m minimum forecast at the time of the 1-for-4 rights issue which raised £44.1m in March.

Turnover rose 44 per cent to £182m (£126m), mainly reflecting the 1,226 units sold last year as against 858 in the preceding period.

Earnings per share increased to 18p from an adjusted 13.1p and the group plans to pay an increased final dividend of 4.35p (3.5p), making a total of 6p (5p).

Mr Tony Pidgley, chief executive, emphasised that the results were achieved despite the extremely volatile domestic housing market, particularly in the wake of the UK's withdrawal from the European Exchange Rate Mechanism in September when prices fell sharply again and margins were under intense pressure.

Mr Graham Roper, chairman, said the slight strengthening in the market in the new year had little beneficial effect on sales prices, but did help the group meet its targets in terms of sales volumes and unit numbers.

Operating profits increased to £14.7m (£11.2m) including a £4.5m full year contribution from St George, a joint venture between Berkeley and Speyhawk until Speyhawk sold its 50 per cent stake to Berkeley in September 1991. St George builds mainly lower priced social housing in London.

Net interest receipts totalled £359,000 compared to net interest costs of £733,000 in the previous year.

At the end of April the group had net cash of £3.8m excluding the rights issue proceeds, compared with net borrowings of £2.6m.

Berkeley has also been steadily increasing its investment in commercial property at a time when prices have been at basement levels. Berkeley Eastoak Investments, its joint venture with Saad Investments of the Middle East, has so far spent almost £120m building up its portfolio and aims to invest a total of £200m.

COMMENT

Tony Pidgley has consistently managed to stay one jump ahead of the property market. The decision in 1989 to liquidate land holdings and work in progress has paid off handsomely. It has enabled the group to follow a buy-build policy throughout the recession and to acquire quality land at reasonable prices. Currently the group has "control" over 5,000 plots, including 3,000 with detailed planning permission, and expects to increase the number of houses built this year by about 25 per cent. Pre-tax profits this year could reach £25m, producing earnings of 21.8p and a prospective p/e of 18.5. At 404p the stock is not a bargain but the group deserves its high rating.

Alvis approval

The £17.1m sale of Alvis' electro-optics business to Avimo Singapore, its 51 per cent subsidiary, has been approved by minority shareholders. The defence contractor will receive a first payment of 14.9m Avimo Singapore shares and £1.71m cash in July and a further £6.49m in mid-September.

NEWS DIGEST

Dairy Crest top pay set at £233,000

DAIRY CREST, the milk and milk products group lining itself up for flotation early next year, gave its highest paid director £233,496 in 1992-93, an increase from £173,042.

The company refused to confirm if the director concerned was Mr John Houliston, chief executive. This director and two others received performance related bonuses in 1992-93 – none were paid the year before.

Operating profits rose from £59.2m to £62.2m, and profits before exceptional items rose from £45.5m to £55.1m.

Approval for enlarged GBE

Shareholders of Downiebrae Holdings have approved the reversal of the company into GBE International, the machinery manufacturer.

The enlarged group will be known as GBE International. Mr Graham Peacock, Downiebrae chairman, and Mr Robert Newman will leave the board; Mr Gerald Edwards, chairman and chief executive of GBE, will take that office in the new group, and Mr John Ormston becomes finance director.

Over 36.6m shares were issued for the acquisition, valuing GBE at £22m. Dealings in the new shares should start today; dealings in existing shares were suspended on May 24 at 77p.

Metrotect shows 25p premium

By Peter Pearse

SHARES in Metrotect Industries, the pipeline protection products company, opened at 134p yesterday, the first day of trading after its flotation by way of a placing at 108p. They closed at 133p.

Turnover in the shares of a company this size, especially in the first hour, was brisk at 4.17m. At the placing price, the company was valued at £26m.

Metrotect makes and supplies plasticised materials and products to protect underground and underwater pipelines. In the year to March 31, it lifted pre-tax profits to £2.27m (£679,000) on turnover almost doubled to £22.6m (£11.4m).

The placing raised £15m, the maximum allowed by the Stock Exchange without a general offer to investors.

A sum of £8.25m has been paid to the vendors of stakes sold in the placing and £6.75m was to repay debt and streamline the share structure into one class of ordinary. Some £1m will used for working capital requirements.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Airtours	int	1	July 29	0.55	-	7.25
Alba	fin	3.85	Oct 25	3.75	4.85	4.75
Berkeley Gp	fin	4.35†	Aug 31	3.5	6	5
Camellia	fin	17	-	16	29	27
European Motor	fin	2	Oct 11	nil	3.5	nil
Grand Central	fin	0.8	Oct 1	0.7	1.25	1.15
Hewetson	fin	0.75	Oct 1	1	1.25	2.6
Northn Electric	fin	15.15	Oct 5	13	21.45	18.55
Novo	fin	1	Oct 1	nil	1.3	nil
Platignum	fin	0.25	Oct 29	nil	0.5	nil
Securiguard	int	4.5	Aug 6	3.5	-	9.4

Dividends shown pence per share net except where otherwise stated. †On increased capital.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- Autest Assocs, City Site Estates, Hardys Brewery, Securicor, Security Services.

Finals- British Bio-technology, Feedback, Ferranti Intl, Halma, Hoyle (Joseph), Lister, Lowndes (Lambert), MS Intl, Seaboard, Sinclair (William), Waddington (J),Walker & Staff, Wilshaw.

FUTURE DATES

Interims-	
Graham Telecomputing	Jul 1
Guinle Murvo	Jun 30
Villiers	Jul 1
Finals-	
Barner Homes	Jul 8
Howden	Jul 8
Jones Stroud	Jul 15
Joseph (Leopold)	Jul 7
Pelican	Jul 8
Storm	Jun 30
Tamaris	Jul 1

Lex Service in £1.7m disposal

Lex Service has sold its wholly owned subsidiary, Lex Industrial Systems, for £1.7m.

The company, which supplies computer systems and industrial technology, has been bought by its management.

European Motor back in black with £3.4m

By Paul Taylor

EUROPEAN MOTOR Holdings, the fast-growing motor group which has been transformed by Mr Richard Palmer, the former Western Motors managing director, returned to profit last year largely reflecting recent acquisitions.

Pre-tax profits of £3.4m in the year to March 31 included a £2.6m contribution from Wilcomatic, the leading UK supplier of automated vehicle washing machines which was acquired for £18.4m in May last year, and £1m from the Mill Garages motor dealership group which was acquired for £2.7m in July 1992.

The pre-tax result came on turnover of £117.1m and compared with a £1.5m deficit on sales of £23.9m for the previous 12 months. Operating profits of £4.5m (£600,000 loss) from continuing operations included £2.9m (£300,000) from the motor retail division of which £1.5m (£300,000) was generated by existing motor dealerships with the remaining £1.4m coming from dealership acquisitions.

Losses on the discontinued Cargo Control Equipment business were partly offset by receipts from the settlement of claims against KPMG Peat Marwick related to businesses acquired and disposed of in earlier years. KPMG denied liability.

Net interest costs grew to £700,000 (£500,000) reflecting a slight increase in year-end net borrowings to £5.6m (£5.1m), equivalent to gearing of 34 per cent.

Commenting on the results Mr Palmer, chief executive, said substantial progress had been made during the year to improve financial performance and consolidate the acquisitions.

He added: "We expect to continue to improve the levels of profitability within our existing businesses and to expand through organic growth, better utilisation of resources and by acquisition."

Earnings of 7.3p compared with previous losses of 17.6p. Dividends were resumed at the interim stage and a final of 2p makes a 3.5p total.

Restructuring lifts Platignum

PLATIGNUM made a profit of £384,000 in the second half to produce £713,000 pre-tax for the year to March 31, against £405,000.

The improvement was achieved substantially through restructuring. Several business disposals and acquisitions have been made, providing a clearer strategic focus.

Mr Rob Campbell, chief executive, said the group was well structured for further progress. However, "we are not experiencing any improvement in demand in the markets in which we operate".

Activities of the group cover stationery, housewares, cabinet furniture, and paper recycling.

Sales in 1992-93 fell to £15.1m (£17.1m) because of discontinued activities.

Mr Campbell said stationery had an excellent year following the integration of Ivy into the Royston factory. Housewares benefited from the Coffee Connections acquisition last September, but low demand made it a poor year for furniture and substantial cost cutting took place.

Earnings per share were 2.83p (1.98p) and the final dividend is 0.25p for a total of 0.5p (nil).

Alba bucks recessionary trends with sharp rise

By Peter Pearse

ALBA continued to buck recessionary trends in the year to March 31. Pre-tax profits rose 15 per cent from £5.06m to £5.84m, though the audio, television and domestic appliances group pointed out that under FRS 3 accounting standards, the pre-tax increase was 62 per cent to £5.05m.

Mr John Harris, chairman, said that, in the white and brown goods sector, the recession had started not as late as 1990 but in 1988. He ascribed the group's success since then to having "the right recipe". "We know what our customers really want and at what price point they want it."

The group's products are sold under three brand-names – Alba, Bush and Hinari – and frequently by mail order. Mr Harris said that Alba Radio, which mainly sells audio equipment, had market leadership in major audio (audio systems which plug into the mains) in both quantity of goods sold and in value. It also has leadership in 14-inch televisions.

Bush makes slightly more upmarket and larger televisions which Mr Harris expected to show a sharper sales upturn, now that "the recovery is in place". He added that, in general, the rise in television sales was pleasing in a year with no sales-boosting events like the Olympics or the World Cup.

Hinari Domestic makes the UK's best-selling toaster and is the fifth largest seller of microwave ovens, "ahead of some multi-nationals".

Group turnover totalled £113.4m (£111m), with continuing operations yielding £110.2m (£104.7m). Interest payable fell sharply to £467,000 (£1.15m), because of lower rates and the reduction of borrowings to £9.1m (£11.6m) excluding leases.

The dividend is lifted to 4.85p (4.75p) for the year with a 3.85p (3.75p) final. Under FRS 3, earnings per share were more than doubled at 8.32p (3.36p) – otherwise they were up 23 per cent to 9.55p (7.79p).

Grand Central advances 71%

Grand Central Investment Holdings, the food group with interests in Asia Pacific, raised pre-tax profits by 71 per cent from £922,000 to £1.57m in 1992, although profitability continued to be affected by losses from its commodity based businesses.

Turnover rose 32 per cent to £66.6m (£50.6m). Earnings per share came to 0.04p (0.73p losses). The dividend is increased to 1.25p (1.15p) with a recommended final of 0.8p.

The reorganisation involving the injection of Upali (Malaysia) and Network Foods (Malaysia) into Sunshine Allied Investments, the listed Singapore subsidiary, was completed during the year.

Universal electronic accountant

Alan Cane on the growing fortunes and share price of QSP

BOOTS the Chemist, Nottingham-based and laced with Midlands' caution, is in the early stages of installing accounting software from Quality Software Products.

QSP, based in Gateshead, Tyne and Wear, came to the market in March at 380p. The shares are now priced at 587p.

The jump indicates the faith the City has in the company's products, and in particular in its new accounting software designed for the tomorrow's computing world of clients and servers, for which read computer networks.

Boots, however, with millions of transactions a day to track, is not installing the wonderproduct Universal On Line Accounting System (Universal Olas). It is taking Olas, its well-proven predecessor, which runs on IBM mainframe computers.

"Boots will move to Universal Olas only when it is tried and tested" said Mr Philip Matthews, Boots' director of finance.

The innate conservatism of finance directors faced with deciding whether to trust their company's business data to an innovative computer system may be the greatest obstacle QSP has to overcome in establishing Universal Olas as a important contender in the accounting systems market.

Universal Olas is important because it can run on any hardware opening up the prospect of greatly increased sales.

Last week it cleared the first barrier, selling the Universal Olas general ledger module to a Swiss Bank's London subsidiary for a six figure sum. Conversion work to move it to the bank's choice of hardware and database is expected to take 12 weeks.

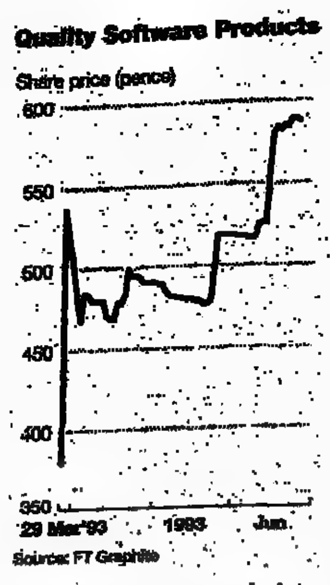
Here is the wonder of Universal Olas. Written for IBM workstations and the Oracle database, it is being converted to Sun workstations and the Sybase database in a matter of weeks. Mr Al-Noor Ramji, Swiss Bank's head of technology said: "It is looking good. If QSP meets all the dates it promised, I'll say nice things."

Much will depend on the consistency with which QSP can roll out the rest of the modules to complete the accounting suite. Software to process accounts payable and accounts receivable is due in the fourth quarter of the year and Mr Mordain was confident it would be on time: "There have been no hitches and it gets easier as we go on."

That a UK company should be in contention to supply large scale packaged accounting software to blue chip customers is, in itself, remarkable. In earlier years companies either wrote their own software or used packages from US software suppliers like MSA or McCormack & Dodge. Today, these software houses are no more, absorbed into Dun & Bradstreet Software.

Meanwhile companies like QSP, which had developed accounting packages operating on-line rather than batch mode and providing management information in addition to juggling the numbers, were beginning to thrive.

Olas was chosen, for example, by Pearl Assurance, for its new headquarters and data centre in Peterborough. Mr Tony Richards, the general manager for finance, found when he arrived in 1991 an organisation starved of information.



Source: FT Graphite

The company was using a standard US-developed accounting package. It was taking the computer output and employing armies of accountants to rejig the information manually.

The Olas system was installed on the same IBM mainframe computer as the software it was replacing and went live after six weeks of parallel operation. Mr Richards said: "A number of organisations, including Boots, have come to see what we have achieved and been impressed".

Despite the regard in which Olas is held, QSP has its critics. One is Mr Richard Holway, author of the Holway Report which each year analyses the financial performance of the UK's computing services companies.

He is concerned that almost alone among UK software houses, QSP capitalises its research and development costs. "The latest accounts show a net book value of £7.1m. You should be aware that this is £3m greater than the total profits (£4.2m) earned by QSP over the past four years."

He is also concerned about the apparent slow down in sales of ordinary Olas in the past year.

Some analysts, in addition, are becoming concerned that QSP's share price may be inflated. It has been boosted by a new enthusiasm for high technology stocks including Microfocus, the UK's most successful software products company now trading at £21.53 and Tadpole Technology, a hardware maker, which came to the market at 65p and is now trading at 323p.

Mr Mordain agreed the market was taking an enthusiastic view of the shares in advance of the profits the company expected to make in 1994.

"1993 will not be our year. We are still completing development of the new products. 1994 will be when it all happens, when we will not be poised between old and new software."

Analysts are looking for up to £3.5m in pre-tax profits in 1994. A share price of about 520p might more realistically balance the risk with the potential.

NEWS DIGEST

Hewetson falls to £503,000

WITH ALL divisions sufferering from weak demand, profits of Hewetson, which serves the construction industry, fell by 32 per cent to £503,000 pre-tax for the year to end-March. The total dividend is cut from 2.6p to 1.25p.

Turnover of continuing operations dropped from £32.4m to £28.6m and operating profits by 33 per cent to £783,000 as a result of general pressure on prices and rent increases.

Earnings worked through at 1.36p (2.99p) and there is a final dividend of 0.75p.

Directors said that with low gearing – down from 48 per cent to 18 per cent – and a low cost base Hewetson was "now firmly placed to grow organically and to benefit from any opportunities that an improved economy may provide."

Thomas Lowe Joinery, a manufacturer of staircases and other joinery products, has been acquired from Tarmac for a maximum £110,000.

City Merchants £6.3m cash call

City Merchants High Yield Trust is raising £6.27m net via a placing and open offer, for the acquisition of investments.

New ordinary shares representing 5m offer units have been placed at 130p per unit, fully underwritten by UBS, and can be clawed back by shareholders on a 1-for-3 basis.

A second interim dividend of 2p is declared, making 4p to date (4.875p).

The directors felt that the UK was more advantageously placed than its north European neighbours to profit from any improvement in the economic growth of the US and Japan.

Acsis calls for share suspension

Dealings in shares of Acsis, the healthcare and interior contracting group, were suspended at 1½p yesterday at the directors' request pending publication of refinancing and restructuring proposals and of its preliminary results for the 1992 year.

It was expected that the proposals, which have been agreed with the group's bankers, and the results, would be published "no later" than July 30 with the annual report and accounts being published on or before August 6.

Wolseley in £3m expansion

Wolseley, the heating and plumbing distributor, has paid £3.1m in shares for Form Fittings, a private Rotherham-based maker of kitchen light fittings, power modules and cable management systems.

For the year to end-April 1993 Form Fittings achieved pre-tax profits of £713,000. Net assets amounted to £1.02m after deducting net debt of £534,300.

Initial consideration will be met via the issue of 484,640 new shares. Up to an additional 24,685 shares will be issued to satisfy the deferred consideration.

Vosper Thornycroft buys water jet maker

Vosper Thornycroft, the shipbuilding and engineering group, has bought RG Parker (Engineering), which manufactures water jets used in high speed craft. No price was disclosed.

Parker is based in Bury St Edmunds, Suffolk, and trades as PP Jet. It had sales of £1.1m for the year ended December 31, of which 30 per cent were exports.

Raglan pays £7m for 18 shops

Raglan Property Trust has contracted to acquire a portfolio of 18 freehold high street shops for some £7.3m. Vendors are Dunn & Co and Phillips Pension Fund.

Current rental income is £700,000 per year, equating to an initial yield of 9.3 per cent.

Raglan will finance part of the purchase by a £6.3m five-year loan facility from NM Rothschild.

Sycamore sells Thos Ashworth

Sycamore Holdings, a maker of foundry products and moisture testing equipment, is selling Thomas Ashworth to Presbar Diecastings, a privately owned company based in Manchester, for £1.2m cash.

The sale of Ashworth – which trades as Ashworth Diecasting – follows the disposal of Ashworth Instrumentation to Bowthorpe last month for £1.5m.

The latest sale, which is subject to a retention of £75,000 and to adjustment to reflect the net asset value on June 25, will be completed on July 19. Proceeds will be used to reduce borrowings.

Culver's placing and acquisitions

Culver Holdings is raising £1.53m in a placing and open offer of 25.5m shares at 6p. Shareholders can claw back on the basis of 5-for-8.

The company is acquiring Belle Vue (Holdings), a Newport-based BMW dealership, for £750,000, Flower Garages, a Nissan dealer in Cardiff, for £629,000, and the minority in Culver's insurance businesses at a cost of £629,000.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.06	[illegible]	24.85
0100	18.01	20.42	22.47
0130	18.02	20.42	22.48
0200	18.02	23.76	25.91
0230	18.02	23.76	25.90
0300	18.02	20.50	22.52
0330	18.02	20.42	22.45
0400	18.02	20.42	22.44
0430	18.02	20.42	22.46
0500	18.02	20.42	22.48
0530	18.04	20.52	22.63
0600	18.04	34.00	36.71
0630	18.04	34.00	34.00
0700	18.09	34.00	36.78
0730	25.23	33.00	35.71
0800	24.08	24.63	26.75
0830	25.24	24.40	26.36
0900	27.32	27.73	29.77
0930	27.34	26.94	28.91
1000	27.35	27.73	29.74
1030	27.36	27.73	29.73
1100	30.34	27.73	29.72
1130	36.16	27.73	29.72
1200	36.15	27.73	29.72
1230	36.14	33.00	35.24
1300	36.11	33.00	35.15
1330	26.16	27.89	29.77
1400	25.55	27.89	29.78
1430	25.58	27.89	29.78
1500	25.53	27.89	29.78
1530	25.59	27.89	29.79
1600	25.56	27.89	29.79
1630	32.98	31.50	33.50
1700	33.08	33.00	35.08
1730	33.02	33.00	35.02
1800	32.86	33.00	35.05
1830	26.54	25.28	27.11
1900	25.23	25.00	26.84
1930	25.28	25.00	26.85
2000	24.45	25.00	26.86
2030	23.56	23.64	25.45
2100	22.35	23.64	25.45
2130	22.35	24.40	26.23
2200	33.00	33.00	35.14
2230	34.00	33.00	35.15
2300	34.00	31.85	34.02
2330	19.50	23.65	25.63
2400	18.46	22.31	24.28

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

CONTRACTS & TENDERS

COMPANY NEWS: UK

Northern Elect lifts dividend by 15.6%

By David Lascelles, Resources Editor

NORTHERN Electric set a new high in dividend increases for the regional electricity companies yesterday by raising its pay-out by 15.6 per cent, though it balanced this by announcing a £10 rebate for its domestic customers.

The rise at the Newcastle-based utility came on the back of a 13.4 per cent growth in pre-tax profits, from £98.2m to £111.4m, for the year ended March 31.

Mr David Morris, chairman, said: "Our excellent results reflect the success of our post-flotation business strategy, demonstrating consistency and performance." He said the dividend increase to 21.45p (18.55p), with a final of 15.15p, was "consistent with our underlying financial performance."

The increase in profits, which fed through to a rise of 16.3 per cent to 69.3p (59.6p) in earnings per share, reflected the resilience of the north-east, according to Mr Morris. The electricity distribution business, particularly to domestic and commercial customers, contributed an operating profit of £102.9m (£90.8m). The £10 rebate will bring the total price reductions given to domestic customers to close on 7 per cent this year.

Sales volume in the supply business rose by 16 per cent, but operating profit remained low at £3.7m (£4.1m) because of the tight margins. But Northern aims to develop this side of the business as it opens the way to the unregulated market for large customers where much future growth will come. Northern already supplies 400 large customers outside its home market.

Its other unregulated businesses traded at an overall profit during the period, though appliance retailing suffered from a difficult market and only made a small return, not including restructuring costs.

Profits were also helped by further cost reductions of 3 per cent, including a 9 per cent reduction in staff numbers. Gearing was reduced to 9 per cent.

• COMMENT

The dividend increase sent a flurry of excitement through the sector, helping Northern's shares to gain 6p to 514p. The strength of the underlying result, for example on cost reductions, also helped dispel Northern's image as one of the less well-managed RECs. If there is a worry, it is Northern's active pursuit of the high risk supply market where small mistakes can be extremely costly. But management took some trouble to say that it was strongly hedged against unwelcome price movements. Dividend cover is strong at over three times. BZW has Northern on a prospective yield of 6 per cent, assuming a dividend increase of 14.5 per cent next year, which is close to the sector average.

Camellia up to £11.5m

CAMELLIA, an investment company, staged a sharp recovery in the second half of 1992 with pre-tax profits for the year advancing from £7.86m to £11.5m.

The accounts – prepared under FRS 3 – shown turnover ahead from £164.2m to £171.9m. Operating profit from continuing operations was £13.5m (£14.4m). The final dividend is 17p making 29p (27p). Earnings were 114.24p (41p).

Jones & Shipman considers cash call

By Andrew Baxter

JONES & SHIPMAN, the Leicester-based machine tool builder, said yesterday it was in discussions with a trade investor and other financial institutions on a possible issue of new equity for cash.

Shares in J&S, one of the UK's three publicly-quoted machine tool builders, rose 1p to 32p after the announcement, valuing the company at about £3.8m.

Because of the discussions, publication of results for the year to March 31, due tomorrow is not expected until September.

J&S said the aim of the issue would be to finance completion of the previously announced rationalisation programme and to increase working capital.

The programme, which involves halving the workforce to about 250 and outsourcing the machining of components, was announced last July.

J&S had originally hoped to finance the rationalisation out of existing resources, but said yesterday it had been impeded by market conditions and other factors, including its inability to sell property as advantageously as had been expected.

The company said the precise amount of the issue had yet to be fixed, but was likely to be "reasonably substantial".

The discussions include Close Brothers, the company's merchant banker, Albert E Sharp, its broker, and institutional shareholders.

J&S said trading conditions in the second half of last year remained difficult, albeit better than in the first half.

In spite of these difficulties, the trading loss for 1992-93 was said to be "much reduced" compared with the previous £3.04m deficit on turnover of £15.9m.

Wellcome boost for global ambitions

Norma Cohen considers Robert Fleming's plans for investment banking

WHEN A medium sized, low-key merchant bank says it wants to become a world-class operator in investment banking, it raises eyebrows.

There is no shortage of British talent in that arena and both the US and continental Europe offer their fair share of competitors as well.

But Mr John Manser, chief executive of Robert Fleming, argued that the group had earned a place on the world stage since its role last year as global co-ordinator of the $4.5bn (£3bn) offering of Wellcome shares on behalf of Wellcome Trust.

"We showed when we did the Wellcome flotation what we were capable of," Mr Manser said.

Since the Wellcome deal a year ago, Fleming, known mostly in its capacity as an asset management house and as a blue-chip adviser on merchant banking matters, said its profile in investment banking had been rising.

Mr Manser said the company was now being asked to participate in so-called beauty parades for state privatisation activities, including that of the government's third stake in British Telecommunications.

"But no one at this time would say we are a leading corporate finance house," he acknowledged.

Bill Harrison, recently recruited from Lehman Brothers International to be chief executive of investment banking, said: "Profitability is very important but on the other hand, we are building a business." However, Fleming had ruled out pursuing the sort of "loss leader" business which other firms had sought in breaking into the corporate finance arena

He added that the firm's chief priority was its own profitability. The results for the 12 months to March 31 1993 made it the second most profitable UK merchant bank with pre-tax profits of £101m, trailing only SG Warburg.

The company did not provide details about the exact source of the profits except to say generally that asset management, merchant banking and corporate finance contributed.

Meanwhile, some of Fleming's competitors suggested that its desire to be world-class in corporate finance might conflict with its aim of maintaining profitability.

Mr Manser became coy when asked just how profitable the Wellcome advisory role was, for instance, and would only say that it earned money.

Mr Bill Harrison, recently recruited from Lehman Brothers International to be chief executive of investment banking, said: "Profitability is very important but on the other hand, we are building a business." However, Fleming had ruled out pursuing the sort of "loss leader" business which other firms had sought in breaking into the corporate finance arena.

He added that the business was likely to be the recipient of the greatest increase in Fleming resources internally. The division had seen a 10 per cent expansion in staff in the past year.

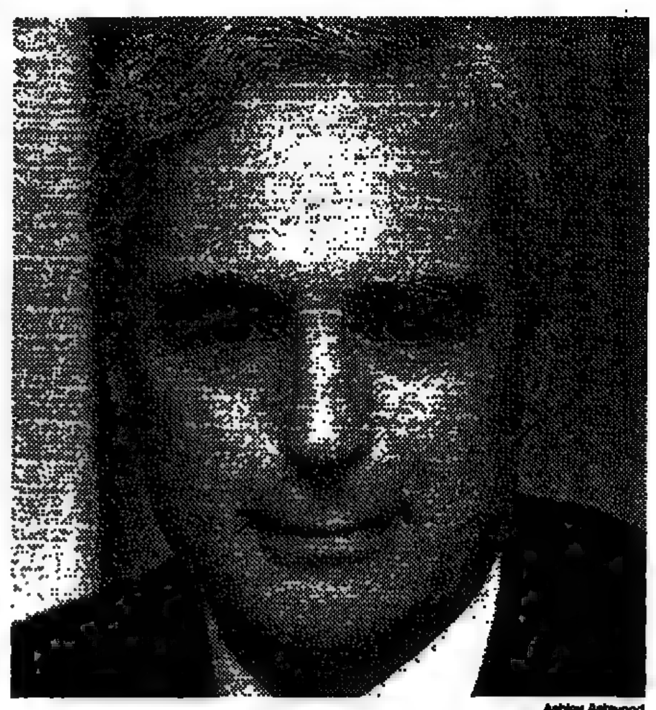
In building a corporate finance franchise, Mr Harrison cited the firm's strengths in Asia where its Jardine Fleming joint venture had a commanding market share in several sectors.

Among the recent deals driven by its Asian connections were the arrangement for the purchase of about 100m shares in Trafalgar House by Hong Kong Land and the subsequent £200m rights offer by Trafalgar House itself.

While assets under management worldwide had increased smartly in the past year, Mr Manser acknowledged that Fleming Asset Management, the UK-based arm of the firm, had had a tough time after several years of mediocre performance in its UK balanced pension fund pools.

However, the firm was still winning mandates for specialist equity fund management, he said, and it had taken steps to improve performance for pooled accounts, the staple product of the UK pension fund industry.

"We have been successful in every category except UK pension funds," Mr Manser said. "But to be absolutely big is not something we see as absolutely important."



Ashley Ashwood

John Manser: Fleming now being asked to take part in beauty parades for state privatisation activities including BT3

Novo buoyed by acquisition

WITH A significant contribution from the Walport acquisitions in the second half, Novo Group turned in £1.8m pre-tax for the year to March 31, compared with £728,000 adjusted for FRS 3.

Novo provides storage and logistic services to the visual entertainment industry. Walport is regarded as the world leader in the distribution of rented video products to the merchant marine industry, and had begun to penetrate the airline market.

Turnover rose to £14.3m (£12.8m) and operating profit to £2.31m (£1.69m) of which Walport contributed £480,000.

Net interest charges were cut to £401,000 (£612,000). Earnings per share, after a sharply higher tax charge and on increased capital under the rights issue, were 3.82p (2.95p).

The proposed final dividend is 1p for a total of 1.3p (nil).

Trading in the current year was in line with budget, said Mr Michael Woolley, chief executive. There were particularly good performances from some divisions. Although prices remained under pressure, margins had been maintained through controlling costs and overheads.

Mr Elie Housman is giving up the chairmanship and Mr Richard Wevill will take over immediately. M Serge Desvignes comes in as a non-executive director; he is managing director of Com2i, a French investment fund holding 5 per cent of Novo.

Devro offer allocation favours small investors

By James Buxton

INVESTORS who made small applications for shares in Devro, the producer of sausage casings made from the protein collagen, were favoured in the allocation of shares after the public offer was subscribed 4.6 times.

Some 128m applications were received for the 28m shares priced at 170p. A further 52m shares were placed firm with institutions.

Applicants for 200 shares will be met in full. Those applying for 400 shares get 75 per cent, and the percentage allocated drops progressively, reaching 12 per cent for those who wanted 15,000 shares. Applicants for between 20,000 and 4.99m shares will receive 10 per cent, and those who applied for 5m or more will have their allocations cut to 3 per cent.

Trading begins tomorrow.

CONTRACTS & TENDERS

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, June 28 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)	COUNTRY		£ STG	US $	D-MARK	YEN (X 100)	COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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COMMODITIES AND AGRICULTURE

Palladium reaches 39-month high

By Kenneth Gooding, Mining Correspondent

THE PRICE of palladium, a platinum group metal used mainly in consumer electrical goods and as a dental alloy, reached $132.15 a troy ounce in London yesterday – its highest level for 39 months.

Traders say palladium is gaining ground because of very strong physical demand from Japan, almost certainly from the electrical sector, and from US electrical goods producers.

Supply shortages have pushed the rate for leasing palladium to 11 per cent, the highest for over two years and well above the cost of money. High lease rates add to the pressure on physical supply because they encourage consumers to buy instead of lease the metal.

Mr Neil Carson, marketing director, platinum, for Johnson Matthey, the world's biggest platinum marketing group, pointed out that the Russians, who contribute about half the world's palladium, held the key to future prices. "The Russians usually increase sales when the price rises but this time there has been no sign of them doing that," he said. Palladium was a by-product of Russian nickel production and the country had little use for it, so it must be assumed that Russia had ample stocks.

Mr Carson pointed out that electrical industry consumers, who accounted for 47 per cent of western world demand for the metal last year, "capped" the palladium price when it reached between $150 and $200 an ounce by substituting other materials, though this was not easy and was expensive.

The electrical industry bought 1.83m of the 3.9m ounces of palladium used in the western world last year, for use mainly in multi-layer ceramic capacitors found in products such as computers, video recorders and electric windows in cars, Johnson Matthey estimated in its recent market review.

Demand for palladium in the western world was 70,000 ounces higher than supply last year, it suggested. Demand rose to 3.9m ounces, boosted by higher use in automotive catalysts (which now account for about 10 per cent of the palladium market) while supply fell to 3.83m ounces, mainly because of lower Russian sales.

Bullion bank likely to change hands

By Kenneth Gooding

MASE WESTPAC, the world's only bullion bank and one of the five members of the committee that fixes the gold price in London, is likely to change hands.

Westpac, the biggest Australian bank, which has been restructuring after sustaining deep losses, has entered into heads of agreement to sell Mase Westpac to Republic National Bank of New York. No price has been mentioned. Republic is part of the international group controlled by Mr Edmond Safra, the Swiss-based banker.

Mase Westpac was formerly known as Johnson Matthey Bankers. It was bought by Westpac in 1986 from the Bank of England which had rescued JMB two years previously after it got into difficulties with its loan book.

Mr Dick Gazmararian, managing director of Mase Westpac, is the present chairman of the London Bullion Market Association. His predecessor at the LBMA, Mr Robert Guy, a director of N M Rothschild, the financial services group at whose offices the London gold "fix" is held twice every working day, said last night that, if the deal went through, Republic National Bank would be invited to fill the seat at the "fix" vacated by Mase Westpac.

Apart from its London operations, Mase Westpac also has branches and subsidiaries in New York, Sydney and Hong Kong. Republic is said to be very active in the physical gold market and as a bullion trader but has only limited mining finance operations.

Monopoly fears dog German coal strategy

Judy Dempsey on the planned privatision of vast lignite fields in the eastern sector

LAUSITZER BRAUNKOHLE, or Laubag, is eastern Germany's biggest open-cast lignite mine. These vast brown coal fields straddle the states of Brandenburg and Saxony-Anhalt. And like almost every other sector of eastern German industry, Laubag is to be privatised.

The former state-run mines are currently under the Treuhand, the agency charged with restructuring and privatising eastern German industry. But of all the sales undertaken by the Treuhand, the privatisation of Laubag is proving one of the most difficult.

A consortium, led by Rheinbraun, the brown coal subsidiary of RWE Energie, western Germany's utility company, is negotiating to buy Laubag from the Treuhand. The consortium includes RWE Energie, PreussenElektra, and Bayernwerk, Germany's three biggest utility companies.

The big three, as they are known, already have interests in eastern Germany. Each holds a 25 per cent stake in Vereinigte Energiewerke AG, or Veag, eastern Germany's major utility company, which operates the region's high voltage transmission grid and depends on brown coal for power generation.

Under the terms of the stromvertrag, or electricity contract of August 1990, eastern Germany's regional utilities must buy 70 per cent of their energy from Veag in order to underwrite the massive investments it is undertaking. These include the modernisation, or construction, of brown coal-fired power stations. In practise, however, the stromvertrag has severely restricted competition in eastern Germany's electricity sector.

Although Veag is monopolised by the big three, it is legally owned by the Treuhand, which intends to privatise it by the end of the year. But the agency is insisting that the privatisation of Veag should be coupled with the privatisation of the Laubag lignite fields.

"It makes sense," a Treuhand official said. "The sale of electricity and coal must be linked. Both companies need each other. Veag needs Laubag's coal for electricity generation and Laubag needs coal contracts with Veag for its economic survival."

It now appears, however, that Rheinbraun is slowing down the Treuhand's attempts at selling Laubag partly to decouple this complex privatisation process. If Rheinbraun succeeded, Veag, once privatised, could be in a much stronger position to negotiate coal contracts suited to its own interests.

Such a development would mean that the existing electricity monopoly in eastern Germany would be extended to the brown coal sector – and dominated by the same west German utility companies. The Treuhand is aware of this. But as it has no choice, for the moment, but to negotiate only with the Rheinbraun-led consortium for the sale of Laubag, the least the agency wants is a competitive price structure introduced for eastern German lignite.

To make Laubag economically viable, the Treuhand reckons it requires annual delivery contracts of about 57m tonnes to Veag's power generation blocks in eastern Germany. But Rheinbraun is arguing that it is not certain it can sell that amount to Veag because consumption of brown coal in eastern Germany will not be high enough to absorb this amount.

Before unification annual lignite supply of 87.7m tonnes accounted for more than 68 per cent, of eastern Germany's primary energy consumption (compared with 8.5 per cent in western Germany). In 1990, that figure fell by 12 per cent, and a further 26 per cent in 1991 following the virtual collapse and closure of eastern Germany's uncompetitive industry.

In a recent study, Goldman Sachs, the investment banker, suggests that electricity demand in eastern Germany has bottomed out.

"The problem remains. It is difficult to give any precise forecasts for future energy consumption of brown coal," said Mr Günther Krämer, one of the board members of Laubag, and formerly employed by Rheinbraun.

"We are arguing with the Treuhand and Veag about the size of the coal contracts, in particular about the price per tonne of coal," a senior Rheinbraun official said. "We would prefer open coal contracts for Laubag, rather than one which locks us into permanent contract deliveries, because we are not sure about future consumption of brown coal," he added.

Rheinbraun's reluctance to agree on coal delivery contracts for Laubag coincides with a suggestion by Veag that it may delay part of its own building programme, most notably, the construction of a second new 800 Mw power generation block at Boxberg, to which Laubag would deliver coal.

Mr Martin Martiny, a member of Veag's board, said recently that the building timetable for Boxberg might be put back because "it is difficult to know how much brown coal eastern German industry will in future need, and therefore how much Veag will require for power generation.".

Treuhand officials argue that if Veag does not adhere to its original building programme, it will have the effect of delaying the privatisation of Laubag.

"We cannot sell Laubag without an agreement with Veag over coal contract deliveries," a senior Treuhand official said. "This is important for setting the selling price, establishing the economic viability of Laubag, guaranteeing jobs for the thousands who are employed at the mines and financing environmental clean-up."

But it is not primarily the uncertainty about eastern Germany's future energy consumption of brown coal that is undermining the Treuhand's attempts at putting coal contracts in place so as to speed up the privatisation of Laubag, but rather the network of mutual west German interests attempting to monopolise energy pricing in eastern Germany.

For instance, Veag is monopolised by the big three, which, through Rheinbraun, is negotiating to buy Laubag. In theory, a comfortable, "in-house" private deal could be forged between Veag and Laubag on the size, price and delivery timetable for coal contracts, once the Treuhand privatises Veag. That is precisely what the Treuhand wants to avoid.

"You can see the challenge facing the Treuhand," said an investment banker who has advised the agency on other privatisation contracts.

"The Treuhand's role is to privatise Laubag and Veag at the best possible price. Yet it knows it has to deal with one big family which dominates Veag. That family does not want to go against its own interests as it attempts to acquire Laubag.".

Another investment banker agreed. "Rheinbraun believes the Big Three in Veag will drag its feet over setting the price and size of coal contracts for Laubag because Veag believes electricity is more profitable than coal," he said. "It thinks it can wear down the Treuhand in the hope that the agency will de-couple Veag from the sale of Laubag, then the brown coal can be sold at a much cheaper price to the big three consortium headed by Rheinbraun."

The Treuhand appears determined to stick to its original plan. "We are not going to decouple the privatisation of Veag and Laubag. There's little enough competition in eastern Germany without extending a monopoly over coal prices as well. The stromvertrag [electricity contract] has already limited competition for electricity prices. We are not going to be pushed around, and see the creation of another monopoly," the senior Treuhand official declared.

Continuing battle for grain sales forecast

By David Blackwell

THE CHRONIC financial difficulties faced by China and Russia will continue to dog the international grain markets in 1993-94, according to the latest report from the International Wheat Council.

The two countries are the main outlets for grain exporters, who are likely to compete vigorously for sales, the IWC suggests.

China is reported to have had buying teams in the big exporting countries, "but no new sales were apparent", says the report. "Reported foreign exchange shortages have supplemented China's usual aggressive pursuit of lower prices."

Russia, which has amassed large debts for earlier shipments, "will depend on new financing initiatives to meet its import needs in 1993-94".

World wheat trade fell by 4m tonnes to 103m tonnes in the year to the end of June. Chinese imports were halved, while those to the former Soviet Union fell by less than expected. However, these declines were offset by increased imports to India, Africa and eastern Europe, while demand for weather-damaged wheat for animal feed was strong.

Next year demand growth in many developing countries – such as Indonesia, Malaysia and the Philippines – will continue to underpin world wheat trade, the report predicts.

The IWC is forecasting wheat production for 1993-94 at 560m tonnes, slightly below last year but still the third biggest on record.

Bolivian oil plan agreed

By Deborah Hargreaves

PAN ANDEAN Resources, the oil and gas exploration company, has agreed a joint venture with Australia's BHP to explore for oil in central Bolivia.

BHP will finance a $6m seismic programme to gather geological information on the area.

Pan Andean was set up in 1988 to exploit resource opportunities in South America's the Andean region.

Mozambique begins to rebuild its cashew revenues

Martin Revis on prospects for the country's second biggest export earner following the cease-fire

MOZAMBIQUE, ONCE the world's leading cashew nut producer, has begun to rebuild its industry following last year's cease-fire in the civil war. The objective is to match again the output of India and Brazil, which have occupied first and second places since 1977, when fighting began seriously to disrupt production in the former Portuguese colony.

Cashew is Mozambique's second biggest value export crop after prawns, an industry less affected by the war, which Britain is helping to modernise through the refitting of trawlers and building of a new jetty at Angoche on the Indian ocean coast.

Cotton and sugar also earn hard currency for Mozambique, but hydro-electric power exports to South Africa from the Cahora Bassa dam had to be stopped during the war years, which also saw a big drop in revenues for rail transit between Indian ocean ports and land-locked states.

In the absence of oil or major mineral discoveries Mozambique is reliant on aid for most of its foreign exchange inflows. So it needs all the nuts it can gather to promote greater enconomic independence. Fortunately demand for cashew is high and the Mozambique variety attracts an average price for all grades of $3.20 per kilogram of kernal.

Mr Juliano Saranga, the Frelimo government's secretary of state for cashew, returned in early April from a meeting of the African Development Bank in Abidjan, the Ivory Coast's capital, with an agreement for an additional $20m of funding for a further five-year rehabilitation and development programme.

The minister believes output of existing trees, which are expected to yield only 35,000 tonnes during the October–March 1992-93 season, could be doubled within three years with improved husbandry. That would still be well below the record year of 1972 when Mozambique's 216,000 tonnes were more than four times Indian output.

He points out that the smallholders in coastal regions who fled during the war were returning to neglected trees, sometimes in areas where there were no roads to distribute the pesticides to combat mildew.

The fall in output to 35,000 tonnes from 54,000 tonnes in the 1991-2 season – a year when Brazil came first with 190,000 and India produced 140,000 tonnes – was party caused by natural variations in yield, he explained. But the main problem in all areas was collection. Traders buying nuts from smallholders at a minimum price set by the government and then selling them on at unregulated prices to wholesalers for delivery and sale again to the processing factories could not afford to borrow money at the ruling 45 per cent interest rate.

As a consequence smallholders increasingly bartered their nuts locally or included them in their own cooking, in place of groundnuts.

The ADB money along with that received from the the World Bank, which also has a long term cashew support programme in Mozambique, is being used to provide extension workers, develop tree nurseries, introduce improved Brazilian grafts, modernise factories and to make a detailed survey of trees.

Mr Saranga is convinced that the future lies with providing support for the smallholders and not large, state-funded orchards that were abandoned 10 years ago. Smallholders, usually families cultivating about 10 trees intercropped with maize, cassava and cow peas and producing nuts in October and March, now account for 90 per cent of the harvest.

The state role is also being eliminated in processing as buyers or joint venture operators are sought for remaining state factories. Four factories are now privately owned - two by the Anglo American Corporation and two by Portuguese concerns. Two of the remaining state factories are in the process of privatisation and investors are also sought for new factories so that all nuts can be processed within Mozambique.

Two years ago, after 15 years of handling the total crop from tree to roasted kernel, Mozambique had to revert to exporting raw nuts to India for cracking and roasting because of inadequate local capacity. About a third of the current October-March season crops will be exported to India in raw form.

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD slipped around $3 a troy ounce on the London bullion market as Comex opened and took profits early. Dealers said that the market was pushing lower purely on the back of technical factors, and they did not rule out a rebound. However, the further gold drifted from $380, then the less likely it would be that option-related buying would come into the market and boost prices. ALUMINIUM continued to be underpinned on the LME by speculation that a big trading operation was being played out ahead of an announcement on production cuts. But no-one could pin down the possible source of such news. London COCOA ended near the day's lows, depressed by both the strength of sterling and a downside correction after the recent climb to a three-month peak. COFFEE was range-bound in both London and New York. London's September contract was stuck between solid support at $900 and resistance around $940 a tonne. New York traders said they were continuing to assess news that Latin American producers intended to retain 15 per cent of their production from October 1 in an effort to bolster prices.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Aug)		+ or -
Dubai	$15.29-5.36z	-0.05
Brent Blend (dated)	$17.22-7.24	-.035
Brent Blend (Aug)	$17.54-7.58	-.045
W.T.I (1 pm est)	$18.89-8.91z	-.065
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$199-201	
Gas Oil	$164-165	-1
Heavy Fuel Oil	$60-61	
Naphtha	$171-174	+0.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$375.25	-1.20
Silver (per troy oz)♣	444.5c	-4.0
Platinum (per troy oz)	$386.40	+3.15
Palladium (per troy oz)	$132.15	+2.90
Copper (US Producer)	89.00c	
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	12.76r	+0.09
Tin (New York)	231.5c	+2.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	143.14p	+1.41*
Sheep (live weight)†♠	116.57p	+1.54*
Pigs (live weight)†	87.35p	-0.23*
London daily sugar (raw)	$296.2	-1.6
London daily sugar (white)	$278.5	
Tate and Lyle export price	£291.9	-2.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£168.5t	
Wheat (US Dark Northern)	£146.0t	
Rubber (Aug)♥	58.50p	-0.50
Rubber (Sep)♥	58.75p	
Rubber (KL RSS No 1 Jul)	206.0m	+0.5
Coconut oil (Philippines)§	$445.0v	
Palm Oil (Malaysian)§	$347.5y	
Copra (Philippines)§	$285.0	
Soyabeans (US)	£190.5x	
Cotton "A" Index	57.20c	
Wooltops (64s Super)	362p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul/Sep. z-Aug.v-Sep/Oct u-Jul t-Jun x-Aug/Oct ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – London FOX			($ per tonne)	
White	Close	Previous	High/Low	
Aug	278.20	275.00	277.00	276.50
Oct	269.80	266.80	270.00	267.50
Dec	269.80	269.00	270.00	269.00
Mar	270.50	274.00	270.60	270.00
May	273.70		274.10	273.00
Aug	277.00		274.00	
Oct	269.50		270.00	269.50

White 710 (775) Paris- White (FFr per tonne): Aug 1595.67 Oct 1583.37

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Aug	17.55	17.45	17.60	17.52
Sep	17.77	17.69	17.83	17.75
Oct	17.98	17.90	17.99	17.94
Nov	18.16	18.08	18.16	
Dec	18.26	18.27	18.26	
Mar	18.45	18.40	18.45	
IPE Index	17.53	17.60		

Turnover 12782 (17727)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Jul	163.25	163.25	164.50	163.00
Aug	165.25	165.50	166.25	165.00
Sep	166.75	167.25	167.75	166.75
Oct	170.00	170.50	171.25	170.00
Nov	172.25	172.75	173.25	172.25
Dec	174.50	175.25	175.00	174.50
Jan	176.00	176.50	176.50	176.00

Turnover 6558 (8203) lots of 100 tonnes

TEA

Landed teas met strong and active demand, particularly towards the close, reports the Tea Brokers' Association. Best liquoring and brighter east African teas often gained 5 to 10p and sometimes more. Mediums also realised fully firm to dearer rates but plainer sorts were irregularly easier. Ceylons sold readily and prices tended easier. Offshore; good general demand with brighter teas fully firm and often dearer, but plain descriptions attracted limited enquiry. Quotations quality 160p/kg, good medium 140p/kg, medium 105p/kg, low medium 82p/kg. The highest price realised this week was 164p for a kenya pf.1.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Jul	712	726	725	711
Sep	714	728	725	712
Dec	717	727	726	715
Mar	729	739	734	726
May	740	750	747	741
Jul	752	761	759	755
Sep	764	776	770	764
Dec	783	799	790	786
Mar	808	818	811	803
May	817	829	822	823

Turnover: 4253 (5798) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 25 724.05 (719.66) 10 day average for Jun 28 714.75 (710.10)

COFFEE – London FOX			$/tonne	
	Close	Previous	High/Low	
Jul	898	900	[illegible]	[illegible]
Sep	923	923	922	916
Nov	925	925	924	920
Jan	923	926	922	918
Mar	927	931	930	925

Turnover: 2484 (1172) lots of 5 tonnes
ICO Indicator prices (US cents per pound) for Jun 25 Comp. daily 54.75 (55.41) 15 day average 54.55 (54.48)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	86.4	84.6	86.5	85.5
May	93.0	92.8	94.0	

Turnover 40 (22) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Oct	153.30	155.00	155.50
Dec	155.80	157.00	156.00

Turnover 50 (0) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Jul	1333	1340	1340	1330
Aug	1315	1335	1320	1315
Oct	1403	1405	1405	
Jan	1423	1430	1425	
BFI	1492	1502	1492	

Turnover 24 (111)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Sep	108.50	108.95	108.50	
Nov	108.10	108.45	108.00	
Jan	110.70	111.40	111.00	110.80
Mar	112.90	113.50	113.00	
May	115.20	115.60	115.10	
Barley	Close	Previous	High/Low	
Sep	104.75	105.15		
Nov	107.75	108.10		

Turnover: Wheat 97 (36), Barley 0 (32).
Turnover lots of 100 Tonnes.

PIGS – London FOX			(Cash Settlement) p/kg
	Close	Previous	High/Low
Jan	115.9	115.9	
Jul	106.5	106.5	

Turnover 0 (10) lots of 3,250 kg

LONDON METAL EXCHANGE	Close	Previous	High/Low	AM Official	Kerb close	Open interest
(Prices supplied by Amalgamated Metal Trading)						
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 76,559 lots
Cash	1215.5-7.5	1208-7	1212	1211.5-2		
3 months	1240.5-1	1228-30	1244/1228	1234-5	1238.5-9	210,588 lots
Copper, Grade A (£ per tonne)						Total daily turnover 38,287 lots
Cash	1261-2	1269.5-70.5	1259/1258	1258.5-9		
3 months	1288.5-9.5	1294.5-5.0	1277/1268	1276.5-7	1270-1	222,248 lots
Lead (£ per tonne)						Total daily turnover 5,377 lots
Cash	260.5-1.5	261-2	261.5	261.5-2		
3 months	271.5-2	272-3	273/271.5	272-2.25	271.5-2	21,106 lots
Nickel ($ per tonne)						Total daily turnover 8,874 lots
Cash	5380-5	5360-70	5345	5340-5		
3 months	5445-50	5420-30	5460/5370	5410-5	5455-60	82,355 lots
Tin ($ per tonne)						Total daily turnover 3,404 lots
Cash	5005-10	4970-80		4975-80		
3 months	5060-70	5025-30	5070/5000	5035-40	5065-60	10,038 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 15,410 lots
Cash	[illegible]	927-8		920.5-1.5		
3 months	937-8	945-6	945/935	940-1	937-8	71,095 lots

LME Closing £/$ rate: SPOT: 1.4930 3 months: 1.4885 6 months: 1.4782 9 months: 1.4698

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	375.00-375.50	
Opening	377.00-377.50	
Morning fix	378.10	253.128
Afternoon fix	375.35	251.710
Day's high	376.40-376.80	
Day's low	374.80-374.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.61	6 months	2.57
2 months	2.50	12 months	2.60
3 months	2.52		

Silver fix	p/troy oz	US cts equiv
Spot	303.15	450.50
3 months	307.55	453.95
6 months	311.75	457.85
12 months	320.50	466.85

GOLD COINS	$ price	£ equivalent
Krugerrand	375.00-378.00	251.00-254.00
Maple leaf	386.20-388.85	
New Sovereign	89.00-92.00	58.00-61.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Aug	Oct	Aug	Oct
1175	65	89	10	19
1200	46	72	17	27
1225	33	57	27	37
Copper (Grade A)	Calls		Puts	
1800	81	129	4	44
1850	43	100	16	64
1900	18	75	40	89
Coffee	Sep	Nov	Sep	Nov
850	81	98	5	23
900	48	68	23	41
950	24	46	51	71
Cocoa	Sep	Dec	Sep	Dec
700	33	52	19	35
725	20	39	31	47
750	12	30	48	68
Brent Crude	Aug	Dec	Aug	Dec
1800	10	-	52	49
1850	5	-	98	-
1900	4	-	-	-

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Jun	375.2	377.2	376.5	374.6
Jul	375.2	377.3	0	0
Aug	376.1	378.1	379.4	375.0
Oct	378.0	380.0	381.5	377.5
Dec	379.7	381.7	383.2	378.3
Feb	381.3	383.3	381.3	380.5
Apr	383.0	385.0	383.0	383.0
Jun	384.5	386.7	386.7	384.3
Aug	386.3	388.5	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jul	383.5	385.7	388.5	383.2
Oct	385.3	386.2	388.7	384.5
Jan	385.8	386.7	388.5	385.0
Apr	386.3	387.2	389.0	389.0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Jun	444.8	448.9	0	0
Jul	444.8	449.0	450.5	442.0
Aug	446.4	450.6	451.0	451.0
Sep	448.1	452.3	454.0	446.0
Dec	453.0	457.2	459.0	451.0
Jan	455.6	457.8	0	0
Mar	457.6	461.8	464.0	455.5
May	461.1	465.3	468.0	461.0
Jul	464.3	468.5	468.5	468.5
Sep	467.8	472.0	472.0	472.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jun	83.60	83.70	83.80	83.80
Jul	83.75	84.00	84.10	83.40
Aug	84.10	84.30	0	0
Sep	84.50	84.80	84.80	84.10
Oct	84.70	84.80	0	0
Nov	84.90	85.00	0	0
Dec	85.15	85.20	85.40	84.75
Jan	85.35	85.35	85.40	85.30
Feb	85.60	85.55	0	0
Mar	85.90	86.00	85.60	85.60

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Aug	18.89	18.84	19.02	18.85
Sep	19.17	19.13	19.30	19.18
Oct	19.40	19.35	19.48	19.38
Nov	19.52	19.47	19.62	19.50
Dec	19.66	19.58	19.68	19.62
Jan	19.76	19.66	19.77	19.71
Feb	19.80	19.72	19.84	19.77
Mar	19.85	19.77	19.89	19.82
Apr	19.84	19.81	19.84	19.86
May	19.84	19.84	19.06	19.88

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Jul	52.45	52.25	52.60	52.25
Aug	52.85	52.84	53.10	52.75
Sep	53.85	53.79	54.00	53.75
Oct	54.85	54.85	55.10	54.80
Nov	55.85	55.90	56.20	55.00
Dec	56.90	56.99	57.10	56.85
Jan	57.55	57.59	57.60	57.50
Feb	57.50	57.48	57.50	57.40
Mar	56.45	56.39	56.70	56.45
Apr	55.25	55.19	55.25	55.25

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Jul	881	[illegible]	892	881
Sep	901	918	912	897
Dec	931	945	937	928
Mar	956	968	962	955
May	976	990	984	976
Jul	[illegible]	1012	1000	999
Sep	1022	1036	1024	1022
Dec	1044	1058	1050	1046
Mar	1069	1083	0	0
May	1094	1108	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	61.00	60.40	61.85	60.25
Sep	62.45	61.85	62.80	61.50
Dec	65.00	64.50	65.30	64.30
Mar	67.20	66.80	67.20	67.00
May	68.80	68.40	69.25	69.25
Jul	70.40	70.00	0	0
Sep	72.00	71.60	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	10.01	9.86	10.18	9.86
Oct	10.41	10.22	10.57	10.16
Mar	10.21	10.11	10.34	10.07
May	10.17	10.06	10.27	10.06
Jul	10.10	10.00	10.02	10.02
Oct	10.07	9.95	10.00	10.00

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Jul	54.87	55.50	55.50	54.50
Oct	57.27	57.05	57.35	56.75
Dec	57.18	56.89	57.20	56.66
Mar	58.23	57.70	58.25	57.75
May	58.65	58.43	58.35	58.95
Jul	59.80	59.11	59.60	59.15
Oct	60.23	60.00	60.05	60.05
Dec	60.23	60.01	60.10	60.01

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	116.15	118.75	118.00	116.10
Sep	119.95	122.55	123.00	119.80
Nov	122.40	125.00	125.30	122.40
Jan	124.10	126.70	126.25	123.90
Mar	125.60	128.00	127.00	126.00
May	126.85	128.95	126.00	127.50
Jul	126.85	128.95	0	0
Sep	126.85	128.96	0	0
Nov	126.80	128.95	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jun 28	Jun 25	mnth ago	yr ago
1665.4	1674.4	-	1565.9

DOW JONES (Base: Dec. 31 1974 = 100)				
	Jun 25	Jun 24	mnth ago	yr ago
Spot	120.69	120.82	119.89	119.05
Futures	120.27	130.27	120.04	119.95

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jul	621/0	619/6	627/0	620/0
Aug	621/6	621/6	628/4	621/0
Sep	623/2	623/4	629/4	623/0
Nov	624/2	623/2	630/0	623/2
Jan	629/2	627/6	634/4	628/2
Mar	634/0	631/0	638/4	634/0
May	636/6	633/4	640/0	636/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	22.09	22.15	22.35	22.08
Aug	22.28	22.31	22.47	22.20
Sep	22.42	22.47	22.56	22.35
Oct	22.58	22.64	22.65	22.50
Dec	22.80	22.86	23.08	22.74
Jan	22.90	22.98	23.05	22.85
Mar	23.04	23.13	23.10	22.98
May	23.15	23.28	23.15	23.10

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Jul	194.7	195.0	196.5	194.3
Aug	194.6	194.9	196.6	194.3
Sep	194.9	195.1	196.7	194.6
Oct	194.7	194.9	196.5	194.7
Dec	196.2	[illegible]	198.5	196.0
Jan	196.1	196.2	[illegible]	196.0
Mar	196.3	196.3	198.4	196.0
May	197.3	197.8	198.8	196.2
Jul	197.5	198.0	197.5	197.5
Aug	197.3	197.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Jul	219/0	219/0	220/0	218/6
Sep	225/0	225/2	226/2	224/4
Dec	232/6	233/0	234/0	232/0
Mar	240/0	240/2	241/2	239/2
May	244/6	245/2	246/6	244/6

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Jul	281/2	282/6	285/0	280/6
Sep	286/2	288/2	290/6	285/2
Dec	297/6	299/6	301/2	296/4
Mar	303/0	305/0	306/6	302/4
May	302/4	304/0	305/4	302/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Aug	75.125	74.550	75.225	74.625
Oct	75.175	74.850	75.300	74.950
Dec	75.450	75.375	75.700	75.350
Feb	75.225	75.250	75.450	75.050
Apr	76.250	76.350	76.575	76.200
Jun	73.175	73.200	73.550	73.150

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Jul	48.175	48.325	48.375	47.850
Aug	45.700	45.925	45.925	45.550
Oct	40.475	40.475	40.575	40.275
Dec	40.575	40.650	40.825	40.450
Feb	40.800	40.875	41.000	40.700
Apr	39.900	40.050	40.150	39.875
Jun	45.750	45.950	45.850	45.750

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	34.950	36.075	35.275	34.650
Aug	33.875	34.050	34.300	33.650
Feb	39.850	39.775	40.000	39.350
Mar	39.100	39.225	39.300	39.100
May	40.500	40.500	0	0

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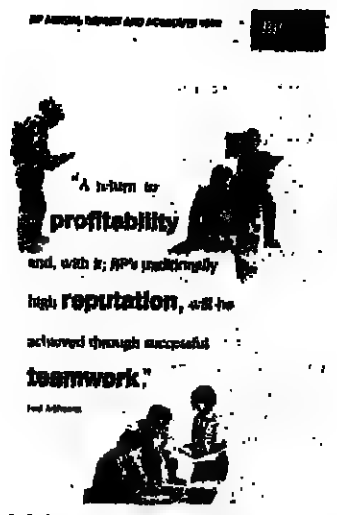
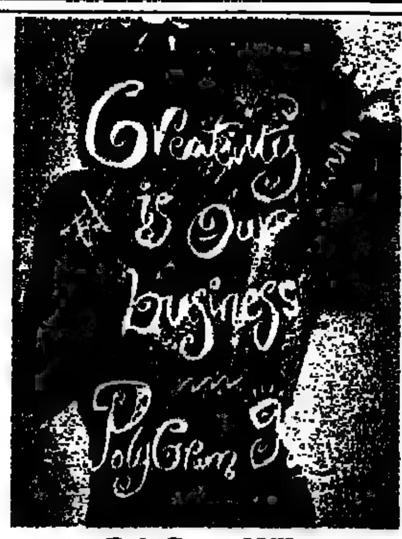


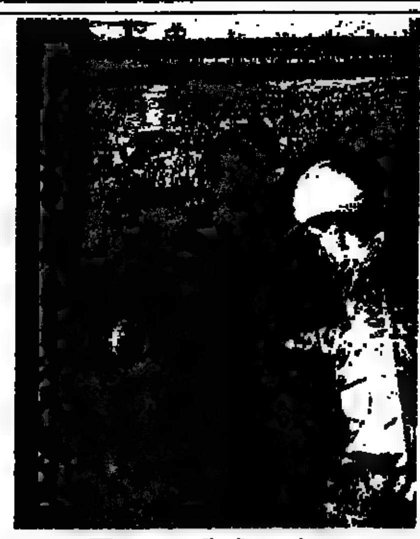
1 The British Petroleum Company plc

The British Petroleum Company plc is the parent company of one of the world's largest international petroleum and petrochemical groups. Its key strengths are in exploration and production, refining and marketing, and in chemicals. BP also has important interests in nutrition, from which it is now seeking a managed exit. Research and technology play a vital role in supporting BP's operations.
BP shares are quoted on stock exchanges in the UK, the USA, Japan, Canada, France, Germany, the Netherlands and Switzerland.



2 PolyGram N.V.

PolyGram N.V. - the global entertainment group - is one of the three largest recorded music producers and publishers worldwide.
In 1992, PolyGram achieved record net sales of NLG 6.6 billion, income from operations of NLG 789 million and net income of NLG 506 million.
PolyGram is listed on the Amsterdam and New York stock exchanges - ticker symbol PLG.

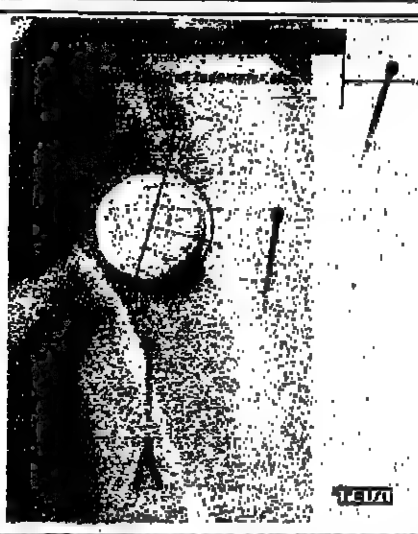


3 Houston Industries

Houston Industries (NYSE:HOU) is the parent company of Houston Lighting & Power, the eighth largest electric utility in the U.S.; KBLCOM Incorporated, a multi-state cable television company; Utility Fuels, Inc., a coal handling company and Houston Argentina S.A., which owns an interest in an electric utility operating in Argentina.
HOU has provided investors with stable income by paying consecutive quarterly dividends since 1921. The annual dividend of $3.00 per share currently provides a yield of approximately 6.7%.

4 Electrowatt Ltd

Electrowatt Ltd is a Swiss holding company of a group of international companies active in the fields of energy, industry and services. These companies have established significant or leading positions in their markets: power supply, security systems, building management systems, electronics, general contracting and real estate, engineering.
Consolidated sales have increased by 35% to Sfr. 4.6 billion over the past 5 years. During the same period the consolidated net income has risen by 25% to Sfr. 192 million. Return on equity amounts to 9.3%. 61% of sales are generated outside of Switzerland, primarily in the EC.



5 Teva Pharmaceutical Industries Ltd.

Teva is Israel's leading pharmaceutical company and a multi-national group with manufacturing facilities and marketing networks in Israel and abroad. More than 50% of Teva sales are to foreign markets, primarily the U.S.
Teva's pharmaceutical activities encompass ethical drugs, and over-the-counter products. Modern Bulk Pharmaceutical Chemicals (BPC) facilities support these efforts and serve export markets.
Teva trades on the Tel Aviv Exchange and on NASDAQ (TEVIY) in the U.S.
1992: Sales: $396.3 million; Net Income: $31.7 million

6 Continental Corporation

The Continental Corporation is among the leading international manufacturers of tires and industrial products made from rubber and plastics. For tires, Continental ranks 1st in Germany, 2nd in Europe, and 4th worldwide. Employees: 50,600. Overall, earnings in 1992 were good. On sales of DM 9.7 billion, net income was DM 133 million, after a 1992 loss of DM 128 million. A dividend payment is not planned. The surplus of DM 19.5 million will be allocated to the reserves. Improved operating results stemmed primarily from General Tire, car tires, and ContiTech. Increased productivity and reduced fixed costs are paying off. Continental successfully launched its technically advanced EcoContact tire in 1992.The outlook for 1993 is promising.

7 Reebok International Ltd.

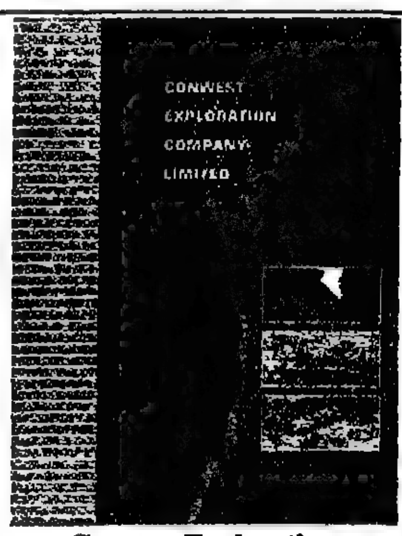
Reebok International Ltd. (NYSE: RBK), headquartered in Stoughton, Massachusetts, is a leading worldwide designer, marketer and distributor of sports, fitness and casual footwear and apparel. Principal operating units include the Reebok Division, AVIA Group International, Inc. and The Rockport Company, Inc. Sales for 1992 totalled approximately $3.022 billion.

8 Asea Brown Boveri Group

The Asea Brown Boveri Group is a global, $30 billion company serving electric power generation, transmission, and distribution customers as well as industrial and rail transportation markets. More than half of ABB's sales are in Europe, about one-fifth each in North America and Asia, and the remainder in South America and Africa.

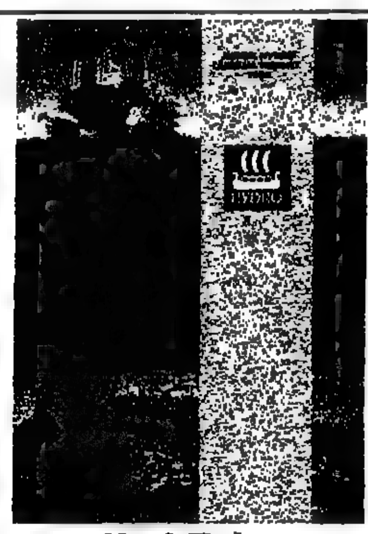
9 Industrivärden

Industrivärden is an industrial holding company with industrial, trading and real estate operations with a combined turnover of SEK 11 billion. The Group employs 12,000 people. The industrial operations consist of PLM and Inductus. PLM is one of Europe's leading consumer packaging companies. Inductus consists of ten engineering companies with Besam, which is involved with door and gate automatio . as the largest company. Indutrade is Industrivärden's trading operation which supplies highly sophisticated products and technical specialist know-how to industry. Fundament manages Industrivärden's buildings held for investment purposes.



10 Conwest Exploration

Conwest Exploration Company Limited is a Canadian energy and minerals company listed on the Toronto Stock Exchange (CEX.A, CEX.B). Conwest had average daily production of 5,600 bbl of oil and liquids and 37.8 mmcf of gas in 1992. The Company's principal exploration focus is to find and develop large natural gas reserves. During 1992, Conwest made a major natural gas and condensate discovery in northwest Alberta at Sexsmith/Valhalla. Since 1986, the Company's oil and gas reserves, production and land base have grown at a compound rate of 25% to 30%. Conwest also owns a low cost, 2,000 tonne per day zinc mine at Nanisivik in Canada's high Arctic and is involved in small hydro electric generation.

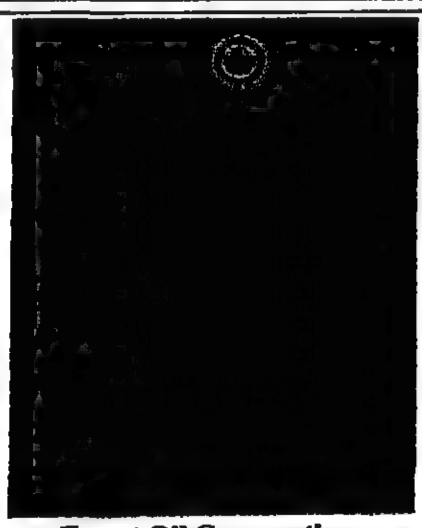


11 Norsk Hydro

Norsk Hydro, founded in 1905, is an industrial group based on the processing of natural resources to meet needs for food, energy and materials. Hydro is, with annual sales of NOK 58 billion, Norway's largest publicly owned company and one of the leading Scandinavian industrial concerns, having 34.000 employees worldwide.
The main products are mineral fertilizers, industrial chemicals, oil and gas, aluminium, magnesium and petrochemicals. In its main business areas, Hydro has a solid international position and is in the forefront of technological development. The company's shares are traded on the main stock exchanges in Europe and New York.

12 Fortis/AG Group/N.V. AMEV

A united force in financial services. Fortis is an international insurance and banking group, formed in 1990. Fortis' parent companies are AG Group from Belgium and N.V. AMEV from the Netherlands. Fortis companies are active in insurance, banking and other financial services in Europe, the United States and Australia.
Since its creation, Fortis has resolutely pursued a strategy which aims to secure a leading position in the markets in which it operates, through growth in both business volume and profits. The Fortis annual report as well as those of AG Group and N.V. AMEV give comprehensive information.

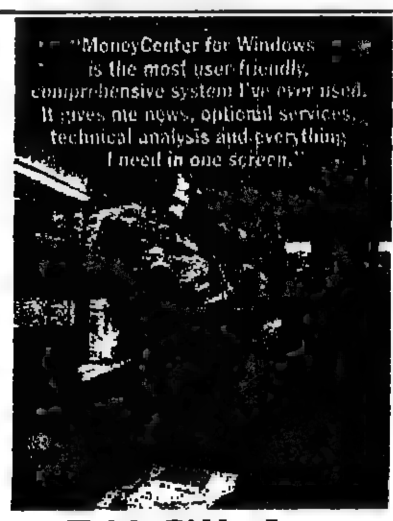


13 Forest Oil Corporation

Forest Oil Corporation (NASDAQ: FOIL) is a leading independent U.S. oil and natural gas producer both on- and offshore. New strategies adopted two years ago have tempered risk and led to significant improvements in the Company's finances, production and reserves. The Company has successfully substituted an "exploitation" strategy for high-risk exploration, a repositioning which benefits from strong technical expertise focused in the Gulf of Mexico where Forest currently operates 35 platforms.

14 Avesta Sheffield

Avesta Sheffield AB was formed in 1992 by the merger of Avesta AB with British Steel plc's stainless operations. One of the world's major companies in the field of stainless steel was thus created, complete with a comprehensive product programme.
Avesta Sheffield employs 8,500 people and has a turnover of approximately SEK 12 billion. The Group has most of its manufacturing facilities in Sweden, Great Britain, the USA and own sales companies in 20 countries. Total control over the entire product flow from raw materials to customer delivery allows for a high degree of cost-efficiency and superior customer service.



15 Knight-Ridder, Inc.

Knight-Ridder, Inc., is an international information and communications company engaged in newspaper and electronic publishing, financial information, cable television and newsprint production. The Miami-based company publishes 29 daily newspapers and offers a variety of information retrieval services. Knight-Ridder common stock is listed on the NYSE under the symbol KRI, on the Tokyo Stock Exchange as 9491 and on the Frankfurt Stock Exchange as KRI.

16 Intrum Justitia

Intrum Justitia is Europe's largest debt collection company, offering a range of Inkasso and credit management services. The Group is listed on the London Stock Exchange and has subsidiaries in 14 European countries complemented by a network of 120 agents worldwide. In 1992, pre-tax profits rose 26% to £16 million, on turnover up 16% to £89 million. At the year end, Intrum Justitia had 45,000 clients and a stock of 2.6 million collection cases, worth £1.4 billion.

The Financial Times Annual Report Service is appearing on 29, 30 June, 1, 2 July 1993

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- 7 ☐ Reebok International Ltd
- 8 ☐ Asea Brown Boveri Group
- 9 ☐ Industrivärden
- 10 ☐ Conwest Exploration
- 11 ☐ Norsk Hydro
- 12 ☐ Fortis/AG Group/N.V.AMEV
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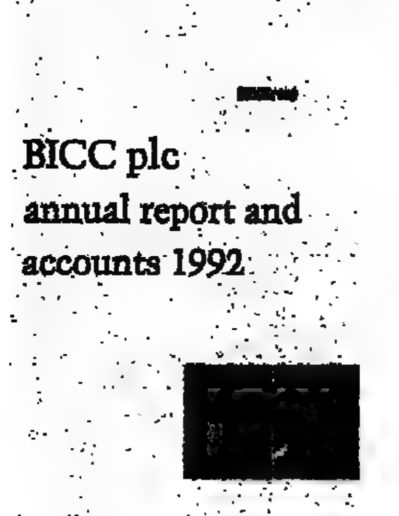

BICC

BICC has achieved a leading position in the global infrastructure development market through clarity of focus on its core business of cablemaking and construction. Efficient management and an ongoing cost reduction programme have helped the Group strengthen its market positions despite the recession. A strong balance sheet and cashflow have enabled BICC to exploit its technological leadership in cables and reinforce its geographical base through acquisitions in Europe and North America. Management and resources will continue to be focused on strengthening the Group's leadership in cables and construction in order to meet the world's long-term demand for power, communications, transport and building.

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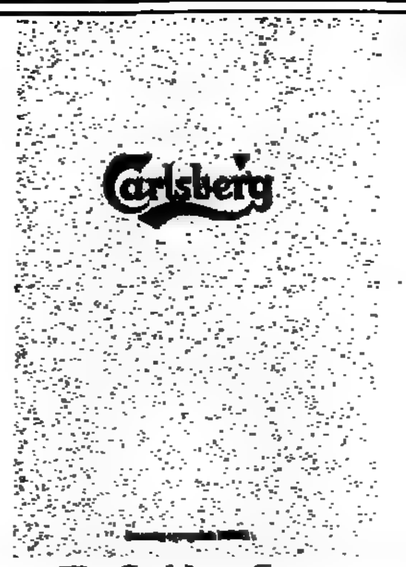

The Carlsberg Group

The Carlsberg Group ranks among the major brewing groups world-wide and includes among other companies the Carlsberg and Tuborg Breweries. Royal Copenhagen A/S, dealing with china and glassware, and Georg Jensen Silversmiths are also parts of the Group. Worth mentioning as an example of an associated company of the Carlsberg Group are the famous Tivoli Gardens - this year celebrating their 150th anniversary.
Carlsberg AS is quoted on the Copenhagen Stock Exchange, and out of some 12,000 shareholders the largest is by far the Carlsberg Foundation pledged to own 51 percent of Carlsberg A/S.

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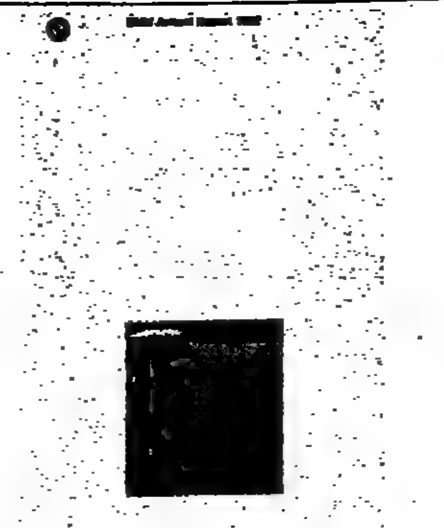

BMW

The Driving Force for Refined Technology: BMW, one of the twelve largest industrial corporations in Germany, had a successful 1992. The world marque for dynamic and exclusive cars and motorcycles, BMW has about 5 million vehicles on the road in more than 100 countries. Each year BMW builds more than 500,000 vehicles in its factories in Germany. About 70,000 people research and develop, produce and guaranty BMW quality. At the start of the 1990s, the company has resumed production of aircraft engines in a joint venture with Rolls-Royce.

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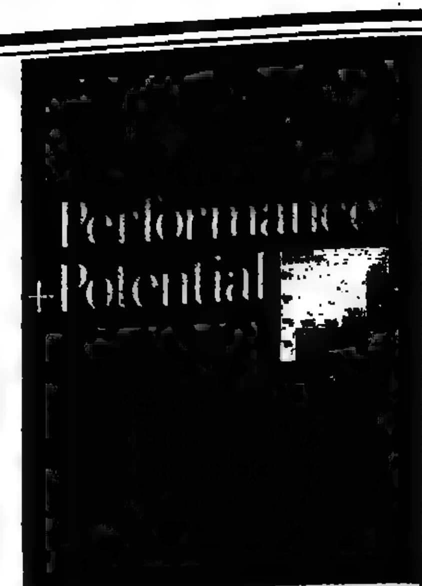

Southwestern Bell Corporation

Southwestern Bell Corporation (NYSE: SBC) provides telephone, cellular, cable TV and advertising services and products to customers worldwide. SBC also holds a 10 percent stake in Telmex, the Mexican phone company. In 1992, for the second year in a row, SBC's total return of 19.0 percent was the best among the Bell companies and GTE. Total return includes stock price appreciation plus dividends. Based in San Antonio, Texas, SBC ranks 29th on the 1992 Forbes list of the largest U.S. companies.

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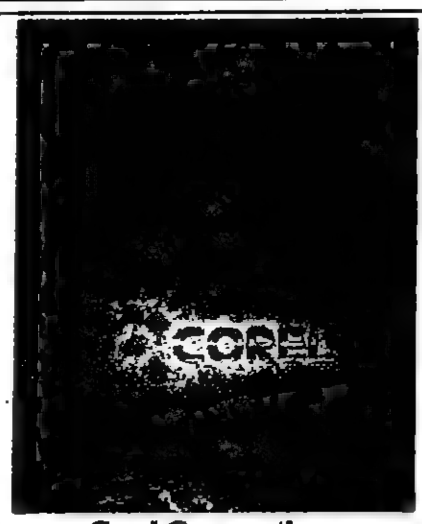
Televerket

The Televerket Group offers public and private networks for telephony, data communications and mobile telephony. In 1992, the Televerket Group's revenues totalled USD 5.9 billion, up 2%. Return on total capital was 8.6%. Televerket invested a total of USD 1.3 billion. Telephone traffic rose 5.1%. Network performance was 99.1%.

22



Corel Corporation

Canadian based Corel Corporation is a graphics and SCSI (Small Computer Systems Interface) software development and marketing company. The Company's most recent release of its principal product, CorelDRAW 4.0, is an enhanced version of the most complete graphics software package available for users of IBM and IBM compatible PCs. CorelSCSI comprehensive software allows transparent connection of all major SCSI devices to DOS, Windows, OS/2, and Novell NetWare based systems. Corel recently announced their entrance into the high growth marketplace of RAID (Redundant Array of Inexpensive Disks) technology with CorelRAID, the Company's software-based solution for data security on Novell file servers.

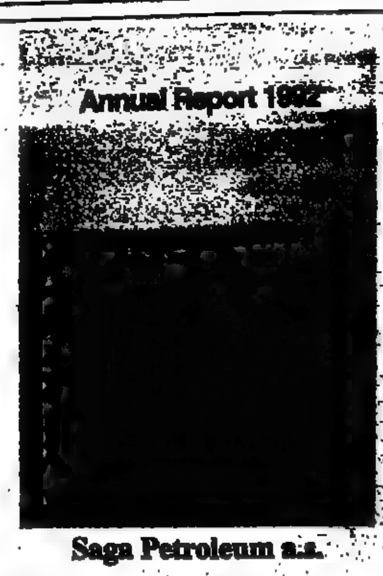
23

VEBA

The Challenge of Europe.

VEBA (486,000 stockholders, 130,000 employees) is one of the largest publicly owned European companies. It stands for Electricity, Chemicals, Oil and Trading/Transportation/Services. The 1992 sales amounted to DM 65.4 billion, the operating result was at DM 1,214 million. Earnings per share were at DM 26.20.
We are well prepared for the challenge of Europe and continue to focus on the Europeanization of our core businesses. The European competition will be the yardstick for a critical examination of our activities.

24



Saga Petroleum a.s.

In 1992, Saga Petroleum a.s. had a turnover of NOK 5.4 billion and a profit before taxes of NOK 802 million (NOK 277 million after tax).
The company's combined oil and gas reserves amount to 144.3 million tonnes of oil equivalent making Saga one of the world's larger independent upstream companies in terms reserves. Saga is the operator of the third larger number of exploration wells drilled on the Norwegian continental shelf. The company is operator of the Snorre field and has interests in, among others, the Statfjord, Oseberg and Gullfaks fields, all of which are in production.
At year-end, Saga's capitalized value amounted to NOK 9.2 billion.

25

Transamerica Corporation

San Francisco-based Transamerica Corporation is one of the world's largest financial services companies with assets of $32 billion. Its 1992 annual report looks at some of the most interesting and promising trends in each of Transamerica's industries, and at how the Transamerica companies are positioned to take advantage of those growth opportunities.

26

Incentive

Incentive is a large Swedish industrial group with a turnover of SEK 12 billion, 13,000 employees and 200 companies all over the world.
Incentive is mainly active in the business areas:

- Materials Handling
- Transportation
- Construction & Environment
- Process Industries
- Imaging Technology
- Power

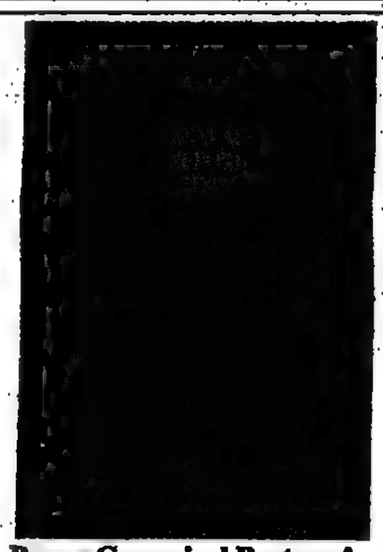
These areas include world known companies such as Hasselblad, Hägglunds, Garphyttan and Munters. Incentive also has important shareholdings in ASEA, Electrolux and Esab. The Incentive share is listed at the Stockholm Stock Exchange.

27

Freeport-McMoRan Inc.

A global natural resource company, Freeport-McMoRan is a leader in the exploration, mining, development, production, processing and marketing of natural resources. In recent years, the company has dramatically increased its natural resource reserve base primarily through exploration success.
Freeport-McMoRan is one of the world's largest and lowest cost gold and copper producers with the largest single gold reserve and one of the five largest open-pit copper reserves of any mine in the world. The company is also the largest integrated and one of the lowest cost phosphate fertilizer producers in the world. (NYSE: FTX)

28



Banco Comerical Português

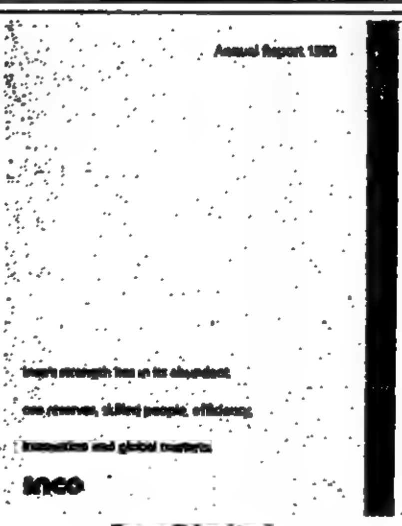
Banco Comerical Português is one of Portugal's leading commercial banks, ranking fourth in terms of assets and the only portuguese company listed on the New York Stock Exchange. BCP pioneered a unique marketing approach by segmenting the market into different customer networks. In each segment, and using its substantial and highly automated branch network, it aims to provide a full range of financial products for those specific customers.

29

Frankfurter Hypothekenbank AG

Frankfurter Hypothekenbank, established in 1862, is one of the largest German private mortgage banks and among the most profitable. Its share capital is majority held by Deutsche Bank AG. The bank's activities are restricted by the Mortgage Bank Act to low risk business, i.e. financing real property and granting loans to the public sector. This business is funded by issuing Pfandbriefe, which are known as a top-grade investment. Pfandbriefe of Frankfurter Hypothekenbank have been rated "AAA" by Standard & Poors.

30



Inco Limited

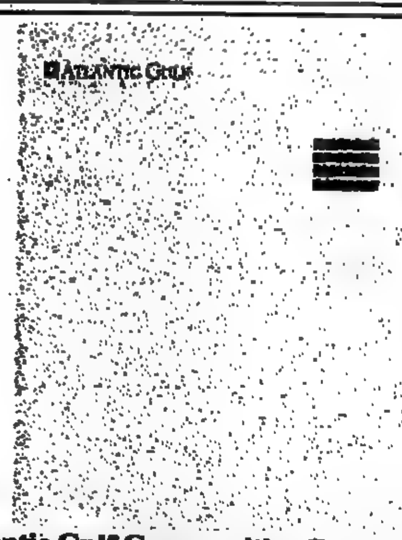
Inco Limited is one of the world's premier mining and metals companies. It is a leading producer of nickel, supplying about one-quarter of total world demand. It is also a major producer of high-nickel and other alloys, and manufactures high-performance alloy components for demanding industrial applications. In addition, Inco is an important producer of copper, precious metals and cobalt and is majority owner of a growing medium-size gold company. In 1992, on net sales of US$2.56 billion, Inco recorded a net loss of $18 million. Inco employs 17,700 in 20 countries. More than 75 per cent of its employees are also shareholders.

31

Kværner

Kværner is an international group based in Norway. The group's main business areas are mechanical engineering, oil & gas installations, pulp and paper technology, shipbuilding and shipping. Operating revenue in 1992 totalled NOK 20 000 million. Consolidated pre-tax profit was NOK 932 million. Kværner has 23 000 employees. Kværner is listed on the Oslo Stock Exchange, the London Stock Exchange and the Stockholm Stock Exchange.

32



Atlantic Gulf Communities Corporation

Atlantic Gulf Communities Corporation (NASDAQ:AGLF) is a Miami-based community developer with nine master-planned communities throughout Florida and one in the Cumberland Mountains of Tennessee. Operations include the development and sale of improved and unimproved commercial, industrial, institutional and agricultural land tracts; the development and sale of homesites to independent homebuilders and to individuals, and the construction and sale of single and multi-family housing.

The Financial Times Annual Report Service is appearing on 29, 30 June, 1, 2 July 1993

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25 ☐ Transamerica Corporation
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27 ☐ Freeport-McMoRan Inc
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LONDON STOCK EXCHANGE

Base rate hopes underpin share prices

By Terry Byland, UK Stock Market Editor

INVESTMENT confidence stood up well in the London stock market yesterday to the possible implications of the US air strike against Iraq, and share prices responded strongly at first when sterling's strength gave fresh impetus to hopes for a cut in domestic interest rates. However, with the institutions still cautious, it was left to the stock index futures to provide the lead and the stock market closed well below the day's best.

Equities opened nervously in London, although the firm performance from Far Eastern markets had already indicated that the US missile attack on Baghdad had not undermined the confidence of global investors. The reaction from the US public to President Clinton's strong defence of the US action suggested that Wall Street would also remain undisturbed by the unexpected turn in events in the Middle East.

The London market soon turned its attention to the strong performance from sterling which followed favourable analysis in the UK financial press. The immediate view was that this would strengthen the chances of a cut in UK base rates, and developments elsewhere in the currency markets focused attention on this week's meeting of the Bundesbank's policy council.

In early trading, the FT-SE Index briefly regained the 2,900 mark with which it jousted last week. But the initial advance of 16.3 points owed a great deal to active arbitrage trading between stock index futures and underlying blue chips.

Once the relative lack of underlying investment interest became evident the equity market came off the top, halving its gain. A new upturn came, however, when Wall Street opened, confirming expectations in London with an opening gain of 21 Dow points. The final reading showed the FT-SE Index at 2,897 for a net rise on the day of 9.5.

In addition to the arbitrage business in the blue chip stocks, there was renewed activity in the second line stocks, often driven by recommendations from London investment houses. The FT-SE Mid 250 Index gained 10.8, closing at yet another new peak of 3,223.9.

Trading in non-Seaq stocks jumped to around 67 per cent of the day's Seaq total of 500m shares. On Friday, 509m shares traded through the Seaq electronic network, representing £1.16bn in terms of retail or customer business in equities.

Consumer and financial stocks were the chief beneficiaries of the renewed base rate optimism. Store shares, hoping that their customers will spend more readily if interest rates come down, were mostly firmer. Sector analysts played an active role, with brewery stock downgraded by one leading house.

Also moving higher were shares in the lending banks, where every reduction in interest rates is regarded as easing the burden of bad debts still weighing down bank balance sheets. But gains were small and the day's best prices not always held at the close.

Pharmaceutical stocks, while under reduced selling pressure, remained under the cloud of the bearish views shown by US investors over the past six months. Zeneca, the new pharmaceutical group formed out of ICI's former bio science interests, could make no headway now that the share placing excitement has subsided.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	11,000	72½	-2½
Abbey National†	4,900	408	-2
[illegible]	[illegible]	[illegible]	[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:		
Jun 7	Jun 21	Jul 5
Option Declarations:		
Jun 17	Jul 1	Jul 15
Last Dealings:		
Jun 18	Jul 2	Jul 16
Account Day:		
Jun 28	Jul 12	Jul 26

*New time dealings may take place from 8.30am two business days earlier.

Rank deal doubted

SUGGESTIONS IN the UK press that Rank Organisation was closer to selling its stake in Rank Xerox brought a mostly sceptical response from leisure analysts, although the shares reacted more favourably, gaining 16 to 798p. Turnover was a healthy 1.5m.

The advance was helped by more speculative comment that if Rank were to sell the Xerox stake, and also accept a long-rumoured offer for its film division, then the company could be ripe for break-up. Some also suggested that the Xerox stake sale, which could raise in the region of £1.5bn and virtually wipe out the Rank group's debt, might also become a bargaining tool in eliciting a higher price for the film division. Although Rank has denied being interested in selling, analysts have put a figure of £400m on the film division.

However, more seasoned hands were dismissive of these suggestions and said it would be some time, perhaps years, before Xerox would be in a position to buy Rank's share. A spokesman for Rank declined to comment on the speculation.

Wellcome weak

Pharmaceuticals group Wellcome continued to under-perform the market and the rest of the health and household sector, ahead of the challenge in the US courts by two companies to Wellcome's patent on its anti-Aids drug AZT, or Retrovir.

The court case, being heard in New Bern North Carolina and brought by two generic drug manufacturers, Barr and Novopharm, is expected to last around two to three weeks.

Although some analysts expect Wellcome to win the case, its shares are expected to come under fire as bouts of uncertainty unnerve some institutional holders of the stock.

US newspaper reports concerning AZT treatment also added to the general air of uncertainty surrounding Wellcome. The latter's shares, down 4.5 per cent last week, fell to 684p yesterday before stabilising and closing a net 9 off at 688p. Turnover was an unremarkable level of 1.3m.

Tarmac wanted

Tarmac, the building materials and housebuilding group, attracted much heavier than usual turnover of 6.4m amid a mixture of revived takeover speculation and talk of profits upgrades and broker buy recommendations.

Bid speculation again centred on Minorco, the mining and minerals group which comes under the control of Harry Oppenheimer's Anglo American/De Beers umbrella, but was largely dismissed by building analysts.

Dealers said Cazenove, Tarmac's stockbroker, had turned a buyer of the shares and increased its earnings forecasts for the company, although this was not confirmed; Cazenove has a policy of not commenting on client business. Tarmac shares settled 7 higher at 141p.

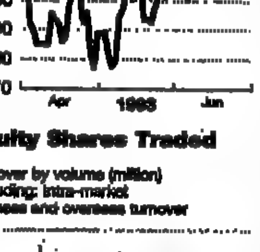
Northern Electric took up the running in the regional electricity sector's "dividend race" increasing its annual payout by 15.6 per cent, the highest so far in the sector. Northern shares jumped 6 to 514p on the news. Seeboard, due to announce preliminary figures this morning and where the dividend is confidently expected to rise by around 15 per cent to 19.8p, moved up 7 to 510p. Eastern, reporting tomorrow, edged up 4 to 461p. Southern, due on Thursday and expected to mount a strong challenge in the dividend stakes, jumped 11 to 463p. London Electricity, reporting Friday, gained 7 to 454p.

Although losses from Airtours were in line with market expectations, investors were cheered by the group's recent aggressive acquisitive run which yesterday culminated in the £20m purchase of a Welsh tour operator. This follows the recent purchase of Hogg Robinson's retail division and of the Pickford's chain.

However, the company were said to be looking to limiting analysts' upgrades which were including the most profitable period for the new acquisitions. Brokers were moving from profit forecasts of around £35m to £45m, buoyed by firm summer bookings and less talk of discounting. The shares added 6 to 334p.

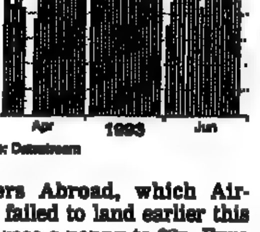
Other groups in the holiday sector also shone in sympathy.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business and overseas turnover



Source: Datastream

Owners Abroad, which Airtours failed to land earlier this year, rose a penny to 98p, Euro Disney 15 to 810p and Eurocamp 4 to 227p.

Weekend press comment over the business strategy at Thorn EMI helped the shares gain 8 to 915p.

A profits downgrade by Hoare Govett saw Abbey National drift back 2 to 408p. Hoare was said to have chopped its current year estimate from £670m to £640m.

Barclays, on the other hand, edged up 4 to 470p with the bank thought to be about to announce the name of its new chief executive. HSBC added 13 at 667p following a strong performance by the Hong Kong stockmarket.

Royal Insurance was the pick of the composite insurers, the shares extending their recent strong performance and moving further ahead to close 6 higher at 304p.

Lowndes Lambert, due to announce preliminary figures this morning, rose 6 to a record 379p.

A dull food retail sector was also put off by a rumour that one leading securities house was considering downgrading the whole sector on the back of low food price inflation. A combination of a broker downgrade, negative press comment and profit-taking sent Asda retreating 2½ to 72½p. Tesco was said to be the subject of a downgrade from James Capel. The company also issued a statement denying press speculation of a boardroom rift. The shares firmed a half-penny to 215½p.

The surge in Great Universal Stores on the back of enfranchisement hopes continued with the 'A' shares gaining 17 to 1780p.

There was talk of a pick-up in DIY sales in recent months. Kingfisher, owner of the B&Q chain, added 3 to 607p, as did Do It All partner WH Smith to 429p, while Boots gained 4 to 454p. Ladbroke, which runs Texas, climbed 3 to 179p.

In a quiet drinks sector, Grand Metropolitan benefited from a recommendation in a US investment magazine. The shares added 5 to 434p. Comment on the Greenalls bid for Devenish saw the former climb 4 to 358p and the latter steady at 368p.

A confident statement from WPP raised its price by a penny to close at 87p with 1.3m shares traded. Shareholders at the annual meeting heard that the group was well poised to take advantage of a recovery and its worldwide revenue in constant currencies was up 5 per cent over the past five months. One media analyst said that it was the most bullish statement by the advertising group in quite some time.

Elsewhere in media agencies, Acsis Group suspended its shares after their steady drift had sent the price down to 1¼p. It said it would make a statement on refinancing and restructuring next month.

Witan Investment edged up 2 to equal the 1993 high of 197p following an agency cross of around 7m shares, executed by Panmure Gordon, the stockbroker, at 197p. Henderson Investment Trust Management issued a net asset value of 226.4p a share for Witan.

DC Gardner shares jumped 10 to 51p after the egm voted to approve the reorganisation moves.

IMI, meanwhile dropped 5 to 278p after a series of profits downgrades instigated by a number of broking houses. Carr Kitcat & Aitken lowered their current year estimate from £72m to £68m.

British Aerospace, where the shares were poor performers and down around 6 per cent last week, staged a good rally, closing 7 higher at 395p as the market adopted a more positive attitude to hopes of the sale of Tornado aircraft to South Korea.

In the transport area, British Airports Authority jumped 18 to 731p after talk of buy notes issued by James Capel and UBS.

The day's two debut stocks, Metrotect and Enviromed, kept up the run of strong performances by market newcomers. Metrotect, the plastics group, closed at 133p after turnover of 4.1m shares, while Enviromed settled at an 8p premium to its placing price of 110p.

MARKET REPORTERS:
Steve Thompson,
Christopher Price,
Christine Buckley.

■ Other statistics, Page 19

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (207).
BRITISH FUNDS (12) OTHER FIXED INTEREST (3) African Dev. 11¼pc '10, Asian Dev. 10¼pc '09, Hydro Quebec 15pc '11, AMERICANS (4) Amer. Express, Merrill Lynch, Quaker Oats, Quester, BANKS (1) Dai Ichi, BREWERS (3) [illegible] '7, Do 10pc Db. '30, STORES (5) Courts, [illegible] US, Do A, Moss Bros, World of Leather, TEXTS (3) Caldwell, Ingham, Parkland, TRANSPORT (2) Dawsongroup, IoM Steam, MINES (24).
NEW LOWS (26).
AMERICANS (2) Data Gen., Malvy Tech., BUSINESS SERVS (1) Ferris, CONGLOMERATES (2) Bibby, Hanson, CONTG & CONSTRCN (1) Raine, ELECTRONICS (3) Division, Pacer Syst., Rodime, ENG GEN (3) Atlas Copco, Barry Wehmiller, Torday & Carlisle, FOOD MANUF (1) Assoc. Fisheries, HEALTH & HSEHOLD (2) Brit. Bio-Technology, Haemocell, MEDIA (3) Birkdale, Sthn. Radio, Sunset & Vine, MISC (2) Pittards, Sinclair (Wm), OIL & GAS (1) Woodside, PACKG, PAPER & PRNTG (4) Clondalkin, MR Data Mngemt., SCA, Smurfit, TRANSPORT (1) Vard.

FINANCIAL TIMES EQUITY INDICES

	June 28	June 25	June 24	June 23	June 22	Year ago	* High	* Low
Ordinary share	2268.3	2264.5	2269.3	2275.8	2277.0	1844.7	2299.5	2124.7
Ord. div. yield	4.09	4.09	4.08	4.07	4.07	4.72	4.52	4.07
Earning yld % full	4.84	4.85	4.84	4.82	4.82	6.92	6.38	4.82
P/E ratio net	26.48	26.41	26.47	26.57	26.57	18.14	26.57	19.40
P/E ratio nil	24.49	24.45	24.50	24.60	24.60	16.83	24.60	18.14
Gold Mines	205.7	195.5	193.3	180.6	183.6	[illegible]	205.7	60.0

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2267.7	2271.5	2277.8	2274.8	2271.7	2271.4	2270.5	2267.4	2265.8	2277.8	2264.7

Volume	June 28	June 25	June 24	June 23	June 22	Year ago
SEAQ Bargains	28,432	27,198	25,364	28,487	28,858	19,626
Equity Turnover(£m)†	-	1159.5	1139.2	1333.9	1283.0	703.8
Equity Bargains†	-	31,400	30,367	33,184	34,468	[illegible]
Shares traded (ml)†	-	453.5	478.6	534.5	526.0	[illegible]

† Excluding intra-market business and overseas turnover.

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[illegible]	[illegible]	[illegible]

Hourly movements

[illegible]	[illegible]	[illegible]

FT-SE Actuaries 350 Industry Baskets

[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]	[illegible]	[illegible]

Continued on next page

EQUITY FUTURES AND OPTIONS TRADING

AN AGGRESSIVE start to yesterday's derivatives trading died away late in the session and by the close the September contract on the FT-SE 100 was back to the point at which it had started - at 2,919, Christine Buckley writes.

Traders focused on Thursday's Bundesbank meeting and the possibility of further cuts in French interest rates. Suggestions of possible French withdrawal from the European Exchange Rate mechanism also found credence.

Stock index futures gained added impetus from strength in the long gilt market and German government bond futures. Some heart was also taken from the strength of sterling.

But volume in the Footsie future was thin – about half that of an average day – with just 5,728 contracts traded. The contract traded within a narrow range of 13 points.

One analyst saw the fading of the futures contract as a reflection of a market which had started buoyantly as news of the Baghdad bombing was absorbed, only to fall back as other markets opened.

The closing quotation showed a premium of about 22 points to the cash market, with the fair value premium at an estimated 11 points.

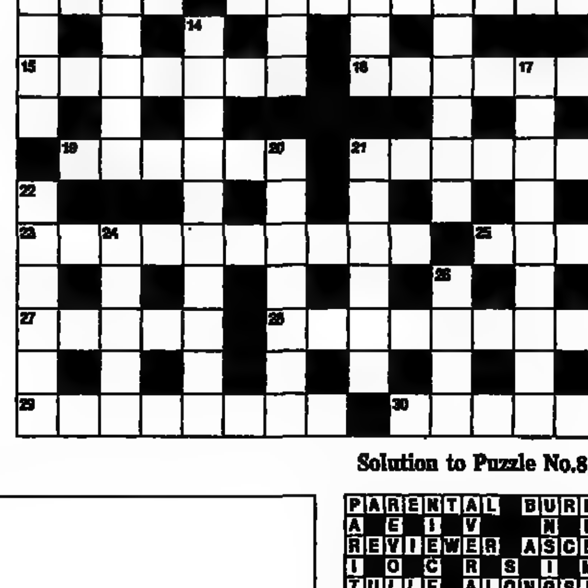
Traded options trod a similarly modest path path with turnover of 21,964. The top performer was Amstrad with 3,323 lots traded. Hanson took second place with 2,328 contracts traded.

CROSSWORD

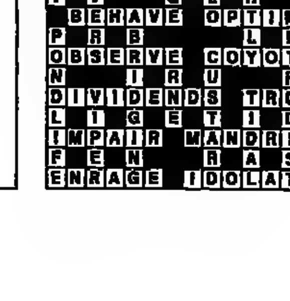
No.8,188 Set by FETTLER

ACROSS
1 Read by practice (6)
4 It's astonishing, having left out the beginning (8)
10 People restrain one caught winking (9)
11 Change later (5)
12 One option that's gone off (4)
13 Mollusc's misery is its burden (5-5)
15 Structural, as is brain having integrated circuit (7)
16 One maybe more insensitive (6)
19 One having lost a wager without reference (6)
21 Dog I lost, for example, goes in place for higher education (7)
23 Peer into it slyly, again and again (10)
25 Guns, in retreat, get the deer (4)
27 Is most of lamb minced for a ragout? (5)
28 This swirls around, as trommel does (9)
29 What's unparalleled yet is, oddly, unchosen? (8)
30 What to do with this grain, we hear (6)

DOWN
1 In the time spent agonising, a figure emerges (8)
2 Irregular, eg with central oblong (9)
3 Settle for one in a group (4)
5 In stone crumbling, there are signs of strain (7)
6 Put together again as in match (10)
7 Fibre obtained from thistledown (5)
8 Misrepresent Ibsen's character accepting her end (6)
9 Baron, a Greek type, is superhuman (6)
14 Hosts, immoderately, are intent on seconds (10)
17 Choose! That's said of voters (9)
18 Fly, introducing a germ, ruined the orange (8)
20 French aristocrat, guillotined in revolution, had little time to be emblematic (7)
21 The jug that's not so hot (6)
22 Can spin or churn (6)
24 Heap audibly takes on the support of power lines (5)
26 It's a bubbly (4)



Solution to Puzzle No.8,187



JOTTER PAD

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		17⅞xd	+⅛	20⅞	16⅞	15,012	2.4
Allegheny & W.	♥	635p	—	636p	393p	330.0	3.0
Amdahl		355p	—	591p	302¾p	398.7	0.9
Amer Cyanamid		35¼	-⅛	39⅝	31¼	3,178	2.9
Amer Express		21⅝xd	+¼	21⅝	14⅞	10,466	2.9
Amer T & T		42¼xd	+⅛	42⅛	33⅛	56,021	2.0
Ameritech		62⅞	-⅛	64½	46	23,150	4.4
BankAmerica		29⅛xd	-⅛	30¼	27⅛	10,392	3.0
Bankers NY		40⅛xd	+⅛	51⅛	42⅝	3,872	4.1
Bell Atlantic		36⅝	-½	38⅝	32¼	16,779	4.4
BellSouth		37	—	38⅞	32⅞	18,278	4.7
Bethlehem Steel	♥	12⅛xd	—	13⅛	10	1,142	-
Bowater		1300pxd	-29	1682p	1293p	471.1	1.9
CPC		27⅞xd	-⅛	34⅝	26	4,283	2.9
California Engy		1432p	+74	1479p	1068p	200.7	-
Chase Manhattan		21xd	-⅛	24½	17⅞	3,278	3.6
Chrysler		30⅛xd	+⅛	31⅛	21¼	9,023	1.2
Citicorp		19⅞xd	-⅛	20⅞	13⅞	7,285	-
Colgate-Palm		38½xd	+⅛	45⅝	35⅛	6,147	2.0
Cont'l Bank		1593p	+4	1677p	1278p	1,099	2.4
Dana		35⅛xd	+⅛	35⅛	29⅛	1,650	2.8
Data General		567p	-39	991p	567p	162.0	-
Decoma Inds	♥	139p	—	146p	109p	-	-
Dun & Brad		39¼	-⅛	42⅝	37⅛	6,909	4.0
Exxon		60	-2	62⅛	50⅝	2,009	2.3
Echlin		16⅛xd	-⅛	18⅝	15⅛	1,046	2.4
FPL		25⅛xd	—	27⅝	23⅛	4,644	6.1
Ford Motor		34⅛xd	+⅛	36½	28⅞	16,809	1.8
Gen Elect		64⅛xd	-⅛	65⅛	53⅝	54,785	2.5
General Host	♥	659p	—	723p	549p	-	4.0
Gillette		35⅛xd	+2⅛	42⅝	31⅛	7,688	1.5
Hasbro		20⅞	—	28⅝	20⅝	1,819	0.7
Honeywell		24⅝xd	-⅛	24⅝	20⅛	3,395	2.3
Houston Inds		29¼	—	33⅛	29¼	3,780	6.5
Ingersoll-Rand		22⅛xd	-⅛	25	19⅞	2,368	1.9
Lockheed		43⅞	-1⅞	44⅝	35⅛	2,853	3.1
Lowe's	h	2461p	+4	2494p	1573p	1,810	0.7
Malvy Technology		189p	-23	209p	180p	-	-
Merrill Lynch		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	♣†□	293xd	+1	294	183	2.8	237.5	14.5
Warrants	□	51	+1	67¼	38	–	–	–
Scot Mortgage	♣□	[illegible]	+1½	201	178	2.8	226.0	13.7
Scot National Inc	♣K□	84	—	95½	83	11.2	–	–
Cap	□	25	—	28	18	–	68.5	63.5
Stepped Pf		162¾	+½	165¼	150¾	4.9	–	–
Zero Div Pf		212½	+1	212½	207	–	–	–
Warrants		2¼	—	5	2½	–	–	–
Scot Value	†a□	83½	—	89½	71	2.7	83.4	0.1
Sec Alliance	♣†	1509	+8	1503	1300	3.9	1611.6	6.8
Second Consld	□	[illegible]	+1	154	88	–	214.0	28.3
Second Market	♣a	347	+2	347	256	0.7	350.0	1.0
Sec Tst Scot	♣□	83½	+½	[illegible]	74¾	4.9	84.2	1.1
Select Assets	□	132	—	132	100½	1.1	174.9	24.8
Eq Ind Serl		138	[illegible]	138	128	3.9	–	–
Eq Ind Serl		136	+1	138	128	3.8	–	–
SHIRESCOT	♣H	132	+2	132	104	5.8	128.3	-1.3
Shires	♣M	280xd	—	282	231	8.1	255.1	-1.7
11pc Cv Ln '03/04		£127½	—	£131½	£115½	8.8	–	–
Siam Select		128	—	136	[illegible]	1.0	153.0	16.6
Warrants		27	—	38	15	–	–	–
Smaller Cos	□	125xd	—	125	78	2.8	–	–
Warrants		39	—	39	14	–	–	–
Sphere Inc	□	24	+½	24	[illegible]	16.7	38.7	35.9
Zero Div Pf		87¾	—	87¾	80¼	–	–	–
Summit		62	—	62	38	2.8	94.3	34.8
TR City of Lon	□	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Greenwich Res	♣□	18	—	22¼	5	14.8	–
Hanole Gold C$		[illegible]	-½	[illegible]	[illegible]	641.0	1.4
Ivernia West IE	‡♣□	48	+1	67	31	24.8	–
Kells Minis IE	‡‡	[illegible]	—	13	6	0.71	–
Kenmare	♣□	6¼	—	13½	6	6.28	–
Mallega Res		17	+1½	25½	13½	1.88	–
Navan Res IE	♦	[illegible]	+7	[illegible]	25	15.1	–
8pc Ln Notes		62	—	62	25	14.8	–
Oryx Gold		75½	+1½	75½	47	–	–
‡‡Ovoca Res IE		3½	—	3½	[illegible]	0.24	–
RTZ	♣W□	674xd	+6	708	607	6,982	3.9
[illegible]	♦	6¼	—	6¼	2¼	3.68	–

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application

excludes a special payment. ‡ Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other [illegible]

Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1600)F
91 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	156.4	158.4	168.7	-2.10	0.00
AIB Grofund Equity	5	205.7	208.6xd	220.9	+1.40	0.93
AIB Grofund Euro	5	163.7	165.5	174.2	-0.40	0.09
AIB Grofund Ext Balanced	3	100.8	103.6	108.8	—	1.41
AIB Grofund Gilt	3	78.55	78.57	81.00	+0.16	5.08
AIB Grofund Japan	5	174.4	176.0	185.3	+3.00	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corpn St, Coventry 0203 553231

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	420.1	420.8	457.3	+2.1	2.38
General Acc	5	460.7	471.5	501.6	+2.3	2.38
UK Growth Acc	6	311.4	315.6	335.6	+1.4	2.87
UK Growth Inc	6	220.7	223.7	238.0	+0.6	2.87
Higher Inc Acc	6	568.5	576.6	613.7	+1.9	3.82
Higher Inc Inc	6	345.4	350.5	372.9	+1.2	3.82
Gilt/Fxd Int Acc	5½	177.7	177.7	187.6	+0.6	6.12
Gilt/Fxd Int Inc	5½	93.11	93.11	98.34	+0.25	6.12
Nth America	6	252.0	257.6	274.1	-0.3	0.00
Far East	6	304.0	307.0	326.6	+4.8	0.14
Europe	6	221.8	225.2	239.6	-1.1	1.07
Brit Excell	6	63.50	63.82xd	67.40	+0.28	2.70
Brit Foodmills Acc	6	86.86	86.86	92.43	+0.25	4.82
Brit Foodmills Inc	6	67.40	67.40	71.71	+0.29	4.82
Global Opps	6	71.82	73.28xd	77.94	+0.13	0.03
Balanced Acc	6	47.81	48.16	51.28	+0.18	2.75
Balanced Inc	6	47.81	48.16	51.28	+0.18	2.75

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gilts & Fixed Int	6	130.2	130.2xd	138.0	+0.2	6.80
High Inc Equity	6	148.6	151.4	161.0	+0.4	4.88
Worldwide Bond	6	273.6	273.6xd	290.1	-0.4	2.82
American Growth	6	290.5	290.5	310.7	—	—
Asian Pacific	6	239.3	244.4	259.9	+1.6	—

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Provident Life Assoc Ltd				
Provident Way, Basingstoke RG21 2SZ 0256 470707				
Gold Range (Pensions)				
Discretionary Fund		198.7	-0.1	–
Provident Mutual Life Assc. Assn.				
6 Hills Way Stevenage Herts SG1 2ST 0438 732000				
Managed Ord	420.7	442.8	+0.8	–
Managed Init	297.2	312.8	+0.4	–
Equity Ord	629.6	662.7	+1.9	–
Equity Init	444.9	468.3	+1.2	–
Index Linked Gilt Ord	194.9	205.2	+0.1	–
Index Linked Gilt Init	143.8	151.4	–	–
Overseas Equity Ord	338.5	356.4	-0.1	–
Overseas Equity Init	239.2	251.8	-0.2	–
Property Ord	227.8	239.8	+0.1	–
Property Init	161.9	169.5	+0.1	–
Fixed Interest Ord	264.5	278.4	+1	–
Fixed Interest Init	188.9	198.7	+0.8	–
Deposit Ord	198.9	207.3	+0.1	–
Deposit Init	139.1	146.4	–	–
Pension Funds				
Managed Ord	555.9	585.2	+1.3	–
Managed Init	392.8	413.5	+0.8	–
Equity Ord	860.8	905.9	+3.4	–
Equity Init	608.1	640.1	+2.2	–
Pen Ind Lnkd Gilt Ord	222.0	233.7	+0.1	–
Pen Ind Lnkd Gilt Init	163.8	172.4	–	–
Overseas Equity Ord	393.7	414.4	-0.2	–
Overseas Equity Init	278.2	292.8	-0.3	–
Property Ord	291.2	306.5	+0.2	–
Property Init	205.7	216.5	+0.1	–
Fixed Interest Ord	344.0	362.1	+1.2	–
Fixed Interest Init	243.1	255.9	+0.8	–
Deposit Ord	288.3	303.5	+0.1	–
Deposit Init	203.7	214.4	–	–
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Pegasus				
Managed Jun 23	306.0	317.6	–	–
Prudential Corporate Pension Funds				
[illegible]				

	Bid Price	Offer Price	+ or -	Yield Gross
Scottish Amicable				
150 St Vincent St, Glasgow 041-248 2323				
Life Funds (First Series)				
Managed	410.0	431.6	+1.20	–
Equity	512.6	539.6	+1.30	–
Property	242.2	255.0	+3.00	–
International	404.0	425.3	+1.30	–
Japanese	117.3	123.5	+2.50	–
Asia Pacific	141.8	149.4	–	–
European	108.3	114.1	–	–
American	144.7	152.4	-0.90	–
Fixed Interest	344.3	362.5	+0.80	–
Index-Linked Gilt	186.7	196.6	-0.10	–
Cash	220.4	232.0	+0.10	–
Life Funds (Second Series)				
Managed	114.3	120.2	-0.10	–
Equity	110.2	116.1	-0.10	–
Property	101.8	107.2	+0.90	–
International	124.9	131.5	-0.10	–
Japanese	117.6	123.8	+1.60	–
Asia Pacific	139.2	146.5	-0.50	–
European	107.4	113.1	-0.80	–
American	141.8	149.0	-1.40	–
Fixed Interest	129.5	136.4	-0.30	–
Index-Linked Gilt	119.5	125.8	-0.50	–
Cash	109.3	115.1	-0.40	–
Pension Funds				
Building Society	173.7	182.9	+0.10	–
Managed (Init)	237.8	250.4	+0.80	–
Managed (Acc)	472.1	497.0	+1.80	–
Equity (Init)	267.8	281.9	+0.70	–
Equity (Acc)	531.5	559.5	+1.00	–
Property (Init)	147.0	154.8	+4.90	–
Property (Acc)	291.9	307.3	+10.0	–
International (Init)	239.8	252.5	-0.30	–
International (Acc)	476.2	501.3	+1.00	–
Fixed Interest (Init)	230.5	242.7	+0.40	–
Fixed Interest (Acc)	457.7	481.8	+1.10	–
Cash (Init)	153.9	162.1	–	–
Cash (Acc)	305.8	321.9	+0.20	–
Others				
Capital Guarantee Bond	100.5	105.8	+0.10	–
Scottish Equitable Life Assce. Soc.				
28 St Andrew Sq, Edinburgh 031-556 9101				
[illegible]				

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Prudential Fund Managers (Jersey) Ltd
PO Box 103, St Helier, Jersey

Royal Trust Jsy Fd Mngt Ltd (1400)F
PO Box 428, St Helier, Jersey 0534 27441

Standard Bank Fund Mngmt (Jersey) Ltd
PO Box 583, St Helier, Jersey CI

TSB Trust Funds (CI)
PO Box 538, St Helier, Jersey

JERSEY (REGULATED)(**)

Barclays Intl Funds

Bank Von Ernst & Cie AG - Contd.

Banque Scandinave a Luxembourg SA
16 Boulevard Royal, L-2449, Luxembourg

Barclays Diversified Portfolio
14 rue Aldringen L-1118

Barclays Inv Funds (Luxembourg)
41 Avenue de la Gare L-1611

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

LUXEMBOURG (SIB RECOGNISED)

MANAGED FUNDS NOTES

FOREIGN EXCHANGES

Dollar/DM rally falters

THE DOLLAR moved down sharply against the D-Mark in European trading yesterday after earlier failing to break through the DM1.72 level, *writes James Blitz.*

At the start of London trading, the US currency was boosted by suggestions that the Bundesbank might ease its official interest rates this week. Mr Hans Tietmeyer, the Bundesbank's Deputy President, said that the DM1.70 level was an appropriate level for the dollar/D-Mark exchange rate and that developments concerning the German budget deficit could provide more room for lower interest rates.

These developments helped push the dollar up to a high of DM1.7180, but it drifted back to a close of DM1.7000, down a net 0.20 pfennigs on the day.

Technical resistance at DM1.72 was one reason for the dollar's failure to advance. Compounding this was a belief that Friday's non-farm payroll figure for June may come out somewhat weaker than expected.

Last week's higher-than-expected weekly jobless claims figures and poor durable goods figures have forced some economists to pare back their expectations for the net payroll number to plus 25,000.

Mr Steve Hannah, a director at IBJ International in London, believes that US economic weakness may continue to undermine the dollar. "The dollar will regain ground," he said, "but there is not enough substance in the price to say that we have definitely pierced the DM1.70 level."

The dollar's preformance against the yen was even less robust as dealers took the view that next week's G7 summit in Tokyo will see growing pressure on the Japanese authorities to reduce their huge trade surplus.

Dealers believe that the US government has adopted a policy of dollar depreciation in an attempt to reduce its trade deficit with Japan. The current political crisis in Japan will ensure that Tokyo finds it particularly hard to respond to US pressures with a concrete trade agreement.

In London, the yen closed unchanged yesterday at Y106.05.

Sterling gained sharply against both the D-Mark and the dollar yesterday after a report from IDEA, the market analysts, suggested that the pound would be one of the strongest currencies in the coming quarter.

The pound surged more than 1½ pfennigs against the D-Mark at the start of London trading, to peak at DM1.5470, before being sold off for the rest of the day. But it still closed at DM2.5375, up 2¼ pfennigs on the day. Sterling was much stronger against the dollar, closing at $1.4930 from a previous $1.4780.

On its trade weighted index, which measures the the pound against a basket of currencies, sterling closed some 0.8 percentage points higher at 80.3. Dealers said there was very active buying of the UK currency in the early London morning.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jun 28	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	192.854	186.758	-3.16	4.54	65
Spanish Peseta	154.250	150.133	-2.67	4.02	47
Irish Punt	0.808628	0.803046	-0.69	1.94	41
Dutch Guilder	2.19672	2.19851	0.08	1.16	7
Belgian Franc	40.2123	40.2911	0.20	1.04	1
D-Mark	1.94964	1.95080	0.67	0.66	-23
French Franc	6.53883	6.60195	0.97	0.27	-42
Danish Krone	7.43679	7.52903	1.24	0.00	-47

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

POUND SPOT - FORWARD AGAINST THE POUND

Jun 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4750 - 1.4965	[illegible]	0.35-0.33cpm	2.73	1.00-0.97pm	2.64
Canada	1.8960 - 1.9200	[illegible]	0.28-0.18cpm	1.44	0.54-0.37pm	0.95
Netherlands	2.8325 - 2.8525	2.8400 - 2.8500	[illegible]	-1.06	[illegible]	-0.70
Belgium	51.95 - 52.35	[illegible]	2-5cdis	-0.82	8-15dis	-0.88
Denmark	9.6925 - 9.7750	[illegible]	[illegible]	-2.54	[illegible]	-2.06
Ireland	1.0355 - 1.0415	[illegible]	0.05-0.07cdis	-0.69	0.12-0.16dis	-0.54

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

MONEY MARKETS

French rates fall

FRENCH franc interest rates continued to fall well below German levels yesterday, as dealers took the view that France was getting increasingly impatient with the pace of Bundesbank rate cuts, *writes James Blitz.*

Last week's *fracas* between Mr Theo Waigel, the German finance minister and Mr Edmond Alphandéry, his French counterpart, was the dominant issue in European money markets yesterday.

UK clearing bank base lending rate
6 per cent
from January 26, 1993

French politicians have recently called for co-ordinated European rate cuts to help stimulate the continental economies. Mr Waigel said last week that German rate cuts were a matter for the Bundesbank alone, and cancelled a routine quarterly meeting of the France-German economic and finance council.

This tension raised suggestions that France might quit the exchange rate mechanism in the autumn if German rates do not come down fast enough.

The most spectacular venue for such speculation yesterday was the French franc futures market, where the September contract was up 20 basis points on the day to close at 93.70.

French cash rates were also sharply lower on the day, down from 6.94 per cent to 6.82 per cent on the bid side.

These moves widened the spread between French and German prices on a day when the German market was far less buoyant. The September Euromark contract was up 5 basis points on the day at 93.16, broadening the spread against its French counterpart to 54 basis points. Three month German cash was 5 basis points higher on the bid side at 7.50 per cent.

There is some expectation that the Bundesbank will ease policy at this week's council meeting. But Mr Adrian James, an economist at NatWest Markets in London, believes rate cutting could be deferred to the meeting on July 15, when the Bundesbank will have details of the government's budget deficit reduction proposals for 1994.

Sterling futures markets continued to be very buoyant about the prospects for another cut in UK base rates.

The September short sterling contract rose 4 basis points on the day to close at 94.14. The December contract closed 5 basis points higher at 94.32. Three month sterling cash rates were unchanged at $5\frac{15}{16}$ per cent, despite difficulties removing a daily shortage of £1.2m.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls August	Calls September	Calls December	Puts August	Puts September	Puts December
117	-	2.89	-	-	0.10	0.50
118	-	2.11	-	0.07	0.19	-
119	-	1.33	-	0.22	0.40	1.16
120	0.53	0.78	1.05	-	0.80	1.67
121	0.20	0.38	0.70	-	-	-
Open Int.	2,039	139,230	34,657	6,610	160,155	28,109

Estimated volume 108,247 † Total Open Interest 401,830
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
Citibank NA	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

LEGAL NOTICES

THE COMPANIES ACT 1948
NOTICE OF INTENDED DIVIDEND

Name of Company	Esal (Commodities) Limited (In Liquidation)
Address	St Andrew's House, 20 St Andrew Street, London EC4A 3AY, England
Court	High Court of Justice
Number of Matter	001530 of 1984
Last day for Receiving Proofs	27 July 1993
Name of Liquidators	M A Jordan and G A Weiss
Address	St Andrew's House, 20 St Andrew Street, London EC4A 3AY, England

If you believe that you have a claim against Esal (Commodities) Limited, please submit details of your claim, together with full supporting documentation to the joint liquidators at the address set out above before 27 July 1993.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close June 28

MONTREAL

4 pm close June 28

INDICES

NEW YORK

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

TORONTO

*Saturday June 26: Taiwan Weighted Price: 4143.23, Korea Comp Ex. 748.27.

♥ Subject to official recalculation. *Calculated at 15.00 GMT.

TOKYO - Most Active Stocks

Monday, June 28, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kobe Steel	4.1m	345	+17	Nippon Steel	3.2m	372	+3
Kawasaki Steel	4.1m	358	+7	Tsumura & Co	2.9m	1,810	+30
Koa Oil	3.8m	1,010	+35	Sumitomo Mtl Min	2.1m	1,010	+10
Sumitomo Mtl Min	3.5m	339	+17	Nippon Oil	1.8m	786	+13
Minebea	3.3m	574	-39	Osaka Gas	1.8m	327	+9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close June 28

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.6	24	79	13⅞	13	13¾	+⅛
29⅞	20	A L Labs A	0.18	0.7	45	682	28¼	25½	28⅛	-⅛
68⅞	54⅝	AMP Inc	1.60	2.6	22	1288	62⅝	62	62¼	+⅜
72¾	55½	AMR			9	4368	62¾	62	62¾	+⅜
2¼	1⅝	ARX			13	4	2⅛	2⅛	2⅛	
51½	29⅞	ASA	2.00	4.2	31	695	47⅞	47	47½	-¼
30¾	22⅝	Abbott Lab	0.68	2.6	17	6082	26½	26	26⅛	-¼
12⅝	10¼	Abitibi Pr	0.50	4.7	4	40	10¾	10⅝	10⅝	-⅛
14⅛	8¼	Acplncein			58	108	12¾	12½	12¾	
32	25½	ACE Ltd	0.40	1.4		135	29	28¾	28¾	+⅛
11¾	10¾	ACM Gvt In	0.96	8.3		293	11⅝	11½	11⅝	+⅛
10	9⅛	ACM GvOpp	0.80	8.3		13	9⅝	9⅝	9⅝	
9⅝	8¾	ACM Gvt Sp x	0.80	8.5		133	9½	9⅜	9⅜	+.67
11⅜	10½	ACM Gvt Se x	0.96	8.7		168	11⅛	11	11	
11	9⅝	ACM Man	1.08	9.9		87	u11	10⅞	10⅞	-⅛
9⅜	8⅝	ACM Managd	0.72	7.9		93	9⅛	9	9⅛	+⅛
11⅛	7¾	Acme Cleve	0.40	3.8	13	583	10¾	10½	10⅝	+⅜
9¼	6½	Acme Elect			279	33	8½	8⅜	8⅜	-¼
24¾	18⅝	Acordia	0.44	2.1	12	22	21⅜	21⅜	21⅜	
18	10⅜	Acuson			13	1191	11⅞	11⅝	11¾	-⅛
22¼	19⅝	Adams Expr	0.48	2.4	1	97	20½	20¼	20⅜	+⅛
66	45½	Ad Micro	3.00	5.8		90	51⅝	50¼	51⅝	+1⅜
92¾	17⅝	Ad Micro P	3.00	13.6	9	6059	22¼	21½	22⅛	+¾
7¾	5½	Advest Grp	0.16	2.8	8	229	5⅞	5¾	5¾	-⅛
24¾	20	Advo Inc	0.08	0.4	23	78	21¾	21⅜	21⅝	
49⅞	41⅛	Aegon ADR	2.95	6.7	8	61	44¼	44⅛	44⅛	+⅛
55⅞	43⅛	Aetna Lf	2.76	5.0	141	1594	55	54⅝	55	+½
14½	11½	Ahl A	0.26	1.9	32	2400	13⅞	13¼	13⅞	+¼
32¼	26½	Aflac	0.40	1.4	14	2491	28½	28	28	-¾
22⅛	16¾	Ahmanson	0.88	4.9	21	1162	18	17⅝	17⅞	+¼
7¾	4⅝	Aileen Inc			7	73	5	4¾	4⅞	
48½	39⅝	Air Pr Chm	0.92	2.3	15	3786	39⅞	d39⅜	39½	-¼
26½	18⅛	Airbne Frt	0.30	1.2	97	743	24⅝	24	24⅜	+⅛
31½	18¾	Airgas Inc			37	204	30⅞	30	30¼	+¼
15⅜	10½	Airlease	1.60	10.5	12	25	u15⅜	15⅛	15¼	
105	101	AlaPw8.16	8.16	7.9		2	103	103	103	

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s
24¾	20½	Bearings	0.84	3.0	74	[illegible]
25½	20½	Beckman In	0.38	1.7	13	[illegible]
40¾	32⅝	Becton Dks	0.68	1.7	14	[illegible]
35	26⅝	Belding Hy	0.84	2.1	33	
50¼	49⅝	Bell Atlan	2.68	4.8	18	[illegible]
14	9¾	Bell Indus	0.40	2.9	20	
57½	50⅜	BellSouth	2.76	5.0	16	[illegible]
48	38¾	Belo AH A	0.56	1.2	24	[illegible]
27⅜	21	Bemis	0.50	2.3	19	[illegible]
62	54	Benef 4.3P	4.30	7.0		
73½	62½	Benef	2.80	3.8	12	[illegible]
28⅞	18¼	Benetton A	0.42	1.7	11	
1¼	[illegible]	Benguet B	0.04	4.0	4	[illegible]
14¼	11⅝	Berry Petr	0.60	4.6	30	
48½	32⅜	Best Buy			20	[illegible]
28⅞	25¼	Beth St 2.	2.50	8.8		
57¼	50¼	Bethhm Pf	5.00	8.9		
20⅞	14⅞	Bethhm St	0.40	2.1	6	[illegible]
62⅞	45⅞	Betz Lab	1.40	3.1	17	[illegible]
14¾	9⅝	Beverly En			178	[illegible]
26½	15¾	Biocraft	0.10	0.4	228	[illegible]
27¾	21	Birmingm S	0.40	1.7	29	[illegible]
21½	16⅝	Black & D x	0.40	2.0	22	[illegible]
28¼	24⅝	Black H PL	1.28	5.0	14	
11	10⅛	BlckrckAdv	0.82	8.0		
9½	8½	Blckrckloc	0.85	9.3		[illegible]
10⅜	10	BlckrckTgt	0.80	7.8		[illegible]
42⅞	31⅞	Block H&R	1.00	2.8	24	[illegible]
21⅝	15⅝	Blockbustr	0.10	0.5	28	[illegible]
8½	7⅝	Blue Chip	0.80	9.7		
13⅜	9¼	BMC Ind			9	
41	33⅞	Boeing	1.00	2.7	8	[illegible]
27⅛	19½	Boise Casc x	0.60	2.5	6	[illegible]
5	4¼	Bolt B & N	0.06	0.7	4	[illegible]
17⅛	10¾	Bordn Chm	1.20	10.5	27	[illegible]
24⅛	12⅝	Bordn Ch U	1.24	7.8	15	[illegible]

- B -

- C -

- D -

- E -

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- M -

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- R -

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Continued on next page

4 pm close June 28

NYSE COMPOSITE PRICES

Continued from previous page

- S -

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- T -

[illegible]

- U -

[illegible]

- V -

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- W -

[illegible]

- X - Y - Z -

[illegible]

Price data supplied by Telekurs

[illegible]

NASDAQ NATIONAL MARKET

4 pm close June 28

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

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- F -

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AMEX COMPOSITE PRICES

4 pm close June 28

[illegible]

AMERICA

Further fall in bond yields boosts stocks

Wall Street

FURTHER declines in bond yields, which dropped to historic lows in mid-morning, helped US stocks post solid gains, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was up 22.14 at 3,513.31. The more broadly based Standard & Poor's 500 was 2.67 higher at 450.27, while the Amex composite was up 0.92 at 431.49, and the Nasdaq composite up 5.02 at 699.61. Trading volume on the NYSE was 136m shares by 1 pm, and rises outnumbered declines by a ratio of two to one.

Once again, a buoyant bond market provided support for equities at a time when the fundamentals for the stock markets are anything but positive. Although concern about *sluggish economic growth has* undermined stocks, it has provided a fresh boost to bond prices. Yesterday the benchmark 30-year bond rose another ¼ of a point, sending the yield down to 6.679 per cent, the lowest it has been since 1977, when the Treasury began issuing 30-year bonds on a regular basis.

Low interest rates cheered investors because they reduce the cost of corporate borrowing, and stimulate interest in equities, particularly through the mutual fund industry, which has benefited from huge inflows of investor cash ever since rates began to decline two and a half years ago.

The political news was also positive for stocks, with investors welcoming President Bill Clinton's decision to attack Iraq's intelligence headquarters as retaliation for an Iraqi attempt to assassinate the former President, Mr George Bush. Analysts said that the missile strike on Iraq would revive confidence in Mr Clinton.

Falling interest rates lifted banks: Citicorp rose $% to $30, Chemical $% to $41%, Chase Manhattan $% to $31%, Banc One $% to $56% and BankAmerica $% to $44%.

Brokerage companies, another sector which benefits greatly from falling rates, were also higher. Merrill Lynch rose $1% to $79%, Morgan Stanley climbed $1% to $67% and Primerica, which owns Smith Barney Shearson, surged $1% to $51%.

Leading technology stocks were also in demand. IBM firmed $% to $50%, Motorola added $1% at $87%, Digital Equipment climbed $1% to $41%, Unisys put on $% at $12, and Hewlett-Packard rose $% to $83%.

Northern Telecom crashed $7% to $29% in volume of 1.7m shares.

Canada

TORONTO's push for the 4,000 mark on the TSE-300 was undermined by a surprisingly bad interim report from Northern Telecom, which dropped Northern shares by C$9% to C$37% in heavy volume and left the composite index 29.75 lower at 3,962.02 by midday.

The drop in the telecommunications equipment group sent the industrial index tumbling by 94.86, or 4.2 per cent to 2,172.10. Shares in Northern's 52.7 per cent parent, BCE, fell C$1½ to C$44, leaving the utilities index 59.83, or 1.8 per cent lower at 3,242.09.

TVX Gold lost C$0.20 to C$4.80 in heavy dealings after Inco said that it would sell its TVX stake for C$4.65 a share.

SOUTH AFRICA

GOLD shares remained firm but lost early gains as the bullion price slipped back, the index ending up 41 at 1,896. Industrials fell 4 to 4,709 as the overall index gained 17 to 4,074. De Beers rose 50 cents to R78.25.

EUROPE

Prospect of Bundesbank rate cut lifts bourses

INTEREST rate hopes ahead of Thursday's Bundesbank meeting moved a number of bourses yesterday, *writes Our Markets Staff.*

FRANKFURT was accused of window dressing as the DAX index rose another 11.96 to 1,707.20, a good 20 points over its March 31 level. Turnover rose from DM6.0bn to DM6.1bn. Analysts, meanwhile, argued about the distribution of share price rises and falls over the past three months.

The most obvious DAX strong points were the carmakers, BMW and Volkswagen. BMW rose DM7.60 to DM517.80, up nearly 9 per cent over the past three months; VW's DM10.70 gain to DM369.50 – based on a bullish magazine report, strength in the yen and the dollar and a break above a key chart level – left it with gains of 21 per cent since last March 31, and 52 per cent since the end of last year.

"We have seen this before," said Mr Bob Barber, the top automotive industry analyst at James Capel in London, "and it's all ended in tears." Mr Barber said that the car makers had seen an upswing like this in 1990 and 1992, but that the fundamentals were now much worse than in those two years.

Elsewhere, other cyclical groups like chemicals and engineers were broadly higher, while banks were relatively weak. Lufthansa continued its rally, gaining DM5.40 or 4.7 per cent to DM120.80. While the firm dollar certainly plays a role in the airline's climb, analysts said, the possibility of improved Atlantic routes drove yesterday's trading.

MILAN remained nervous as the market awaited the outcome of talks between the government and employers on a wage accord. However, after the close, Confindustria, the main employers organisation, said that there had been no progress, although a further round of negotiations could take place tomorrow.

The Comit index closed up 5.91 or 1.1 per cent at 540.34.

Montedison, whose shares, along with those of its parent, Ferruzzi, were suspended early on, provided further disappointing news at its annual meeting yesterday when it announced that it had lifted its 1992 consolidated net loss from a previously stated L1,244bn to L1,679bn.

FT-SE Actuaries Share Indices								
June 28								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1209.24	1210.05	1210.74	1209.67	1210.08	1210.97	1211.03	1210.15
FT-SE Eurotrack 200	1264.55	1265.12	1266.67	1265.50	1266.01	1266.08	1265.64	1265.02
	Jun 25	Jun 24	Jun 23	Jun 22	Jun 21			
FT-SE Eurotrack 100	1202.12	1199.58	1197.17	1196.69	1193.31			
FT-SE Eurotrack 200	1254.67	1251.56	1249.23	1253.34	1250.44			

Base value 1000 (26/10/90) High/day: 100 - 1211.77; 200 - 1266.11 Low/day: 100 - 1209.42 200 - 1264.64

Fiat gave some support to the market, although easing on the kerb to L6,410, having fixed L152 higher at L6,451. However, telecommunications issues again performed well, with Stet up L55 to L3,425 and Sip L62 higher at L2,541.

AMSTERDAM registered another good gain on the day, with a rise in the CBS Tendency index of 1.2 to 112.7, as some cyclical stocks attracted investors. Optimism that the Bundesbank could cut interest rates at its meeting on Thursday also supported sentiment.

As Smith New Court notes in its latest European strategy document, the Dutch market "is benefiting from safe-haven status in Europe at a time when earnings estimates in the other, more cyclical, markets are disappointing".

The brokers believe that this market will remain attractive until monetary policy is aggressively eased in France and Germany.

Philips moved to a new year's high, up 20 cents to Fl 29.40, while Royal Dutch put on Fl 1.50 to Fl 176.60 and Heineken Fl 1.70 to Fl 182.80.

Among cyclicals Hoogovens improved Fl 1.60 to Fl 34.80, VNU by Fl 1.50 to Fl 116.40 and KNP BT by 80 cents to Fl 31.70.

PARIS rose on technical trading ahead of tomorrow's expiry of options and futures contracts. The CAC-40 index gained 30.11 or 1.5 per cent to 1,990.95 in heavy turnover of FFr6.7bn.

A number of block trades helped to swell volume, with some 500,000 in Elf going through as the shares gained FFr12 to FFr402. Alcatel also saw large volume and the shares gained FFr6 to FFr661.

ZURICH was led higher by banks in good volume as the SMI index rose 21.8 to 2,369.70. Signs of easing interest rates in Switzerland and elsewhere in Europe were one stimulus to the financials, and the increasing flow of cash out of fixed interest markets was another.

In banks, CS Holding gained SFr40 to SFr2,680. However, the day's most active stock was Nestlé as it approached the end of rights trading, and the underlying shares rose SFr19 to SFr1,146.

BRUSSELS saw the Bel-20 index hit an all-time high in early trade ahead of late profit-taking, to close up 2.91 at 1,268.41.

STOCKHOLM was lifted by advances in a number of blue chip stocks, as the Affärsvärlden general index put on 13.70 to 1,080.40. Ericsson B's gained SKr9 to SKr335, a new year's high, after the group told investors in the US that it expected a substantial increase in 1993 earnings.

HELSINKI added 2.7 per cent to the HEX index at 1,138.0, on gains in the forestry sector, while COPENHAGEN's KFX index moved up 2.1 per cent to 91.08 on institutional buying.

VIENNA climbed by nearly 1 per cent on hopes of a cut in German interest rates, the ATX index rising 7.34 to 860.53. Cyclical stocks were among the leaders, with Veitscher gaining Sch14 to Sch258 and its parent company, Radex, up Sch8 to Sch336.

DUBLIN's ISEQ overall index was driven higher by financials, 2.9 per cent better on the day, as it closed 26.04 higher at 1,602.93, trading on the prospect of further domestic rate cuts and a good outlook for the Irish economy.

TEL AVIV closed sharply lower for its sixth consecutive losing session. The Mishtanim blue chip index fell 5.21 or 2.7 per cent to 187.02 after a 2 per cent fall on Sunday, reflecting heavy sales by both private investors and mutual funds. However, a government decision not to impose a capital gains tax on the stock exchange was expected to help share prices today.

ASIA PACIFIC

Japanese equities recover as Pacific Basin divides

Tokyo

POLITICAL nervousness was assuaged by the ruling Liberal Democratic Party's resilience in Sunday's Tokyo municipal assembly elections, and share prices rose 1.2 per cent on buying by public funds and dealers, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed up 227.19 at 19,886.76 after a low of 19,675.13 and a high of 19,976.61. However, in spite of the market's strength, genuine investors remained on the sidelines, and volume fell to 240m shares against 261m.

Gainers led losers by 754 to 260 with 149 unchanged. The Topix index of all first section stocks rose 16.42 to 1,600.47, topping the 1,600 level for the first time in eight trading days while, in London, the ISE/Nikkei 50 index fell 1.69 to 1,209.91.

The Tokyo metropolitan election has been considered an indicator of voter sentiment ahead of the July 18 parliamentary elections. In spite of forecasts that the ruling LDP would be hit by the recent defections due to a row over political reform, the LDP gained one seat to 44, while the Social Democratic Party, the largest in opposition, lost over half its seats to 13. The Japan New Party, a reformist group, increased its seats from 2 to 20.

Mr Alex Kinmont, a strategist at Morgan Stanley, said that share prices would move sideways with short term traders dabbling in incentive backed issues. "The political upheaval is all about finding a new structure, and poses less risk to investors than change in ruling parties in other western countries," he added.

All sectors gained, with airlines rising 4.1 per cent on the higher yen. Japan Airlines put on Y47 to Y790, with All Nippon Airways up Y30 to Y1,150.

Minebea, the ball bearings company, plunged Y30 to Y574 on reports on its mounting loan guarantees to its troubled financial subsidiary.

Electricals were mixed on the higher yen. NEC fell Y2 to Y938, but Fujitsu gained Y10 to Y738. Hopes of a higher gold market prompted buying in mining stocks, with Sumitomo Metal Mining up Y10 to Y1,010.

In Osaka, the OSE average rose 202.00 to 21,965.23 to 17.6m shares. The index rose on small-lot buying by individuals.

Roundup

THE region, which frequently has a number of fairly static equity markets, was divided between significant rises and falls although turnover, too, was a moveable feast.

HONG KONG was boosted by the news of more talks on Hong Kong's controversial new airport, and the Hang Seng index closed 134.02, or 1.9 per cent higher at 7,148.10 in turnover up from HK$4.58bn to HK$5.05bn.

China-linked stocks prospered, World Trade topping the active list in turnover of HK$311.9m as it rose 30 cents to HK$2.325. Unisouth was up HK$1.90 to HK$15.

AUSTRALIA's gold stocks and key blue chips gained ground. The All Ordinaries Index closed 14.7 higher at 1,715.1 in turnover of A$255.4m as the golds index soared 68 points to 1,854.8.

BHP also provided direction, moving up 18 cents to A$14.10 after announcing more than doubled earnings, and a positive outlook for the current year last Friday.

NEW ZEALAND crept up to its highest close in almost three years, the NZSE-40 index ending 12.25 higher at 1,667.54 in low turnover of NZ$18m. Telecom rose to a record high of NZ$3.15 as the stock realigned itself to its price in the United States.

SINGAPORE and KUALA LUMPUR closed higher on technical rebounds, the Straits Times Industrial index rising 11.47 to 1,783.14 and the KLSE composite finishing 13.27, of 11.9 per cent better at 722.07. MANILA offered much the same story as the composite index closed 13.00 higher at 1,556.41.

TAIWAN saw a bearish final hour, the weighted index ending 98.83, or 2.4 per cent lower at 4,044.46 in thin turnover. Trade in SEOUL was light, too, as the composite stock index shed 15.05 to 734.22. BANGKOK slid in moderate turnover as investors worried over the US attack on Iraq, the SET index losing 12.02, or 1.3 per cent to 884.54.

KARACHI was propelled higher by blue chip buying as investors welcomed Sunday's rapprochement talks between Pakistan's president, Mr Ghulam Ishaq Khan, and its prime minister, Mr Nawaz Sharif. The KSE index rose 13.45 to 1,264.52.

BOMBAY weakened ahead of a news conference by the stockbroker at the centre of India's $1.23bn securities scandal. Mr Harshad Mehta threatened to make further revelations, and the BSE index closed 42.96 lower at 2,161.07.

Bourses climb as D-Mark weakens

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	+2.82	+7.89	-5.70	+10.61	+7.14	+4.59
Belgium	+1.82	+4.79	+10.52	+13.78	+10.72	+8.08
Denmark	+1.10	+4.53	-2.66	+19.37	+17.36	+14.57
Finland	-0.47	-8.94	+49.01	+34.69	+25.88	+22.90
France	+2.42	+3.12	+2.79	+7.51	+5.86	+3.34
Germany	+0.29	+3.03	-4.96	+9.85	+7.08	+4.53
Ireland	-0.15	+1.82	+18.92	+30.60	+18.40	+15.58
Italy	+2.06	+1.16	+26.88	+28.59	+26.15	+23.15
Netherlands	+0.98	+3.97	+11.82	+14.59	+11.82	+9.16
Norway	+1.07	+1.12	+2.23	+14.38	+13.00	+10.31
Spain	-2.47	-0.10	+9.32	+21.38	+9.65	+7.04
Sweden	-0.97	-2.85	+18.76	+9.50	+1.64	-0.78
Switzerland	+1.44	+3.82	+25.61	+14.98	+14.21	+11.49
UK	+0.25	+1.74	+14.42	+3.09	+3.09	+0.58
EUROPE	+0.70	+2.24	+10.47	+9.95	+7.17	+4.62
Australia	-2.20	-3.66	-1.00	+6.83	+6.58	+4.04
Hong Kong	-2.84	-4.91	+10.69	+28.20	+31.14	+28.02
Japan	0.00	-3.96	+28.59	+19.80	+44.48	+41.05
Malaysia	-5.12	-6.06	+36.25	+20.84	+25.15	+22.18
New Zealand	+1.33	+0.89	+7.97	+10.04	+17.86	+15.06
Singapore	-3.24	-4.38	+8.79	+13.47	+17.23	+14.44
Canada	+1.69	+2.20	+12.44	+13.70	+15.48	+12.73
USA	+0.94	-0.65	+11.34	+2.69	+5.19	+2.69
Mexico	-0.81	-0.49	+9.04	-10.28	-7.93	-10.12
South Africa	+2.16	+0.96	+10.65	+29.18	+36.84	+33.57
WORLD INDEX	+0.45	-1.15	+15.01	+9.69	+16.55	+13.78

† Based on June 25th 1993. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and NatWest Securities Limited.

By John Pitt

Attention in Europe last week was concentrated in the currency markets as the D-Mark came under further pressure; but this factor enabled the French authorities to make a further cut in their intervention and repo rates, independently of the Bundesbank.

In spite of good runs from most of the continent's bourses, a run of negative performances from markets on the Pacific Rim left the FT-Actuaries world index just 0.45 per cent ahead in local currency terms.

The French move last Monday left domestic rates below those of Germany for the first time in 26 years. But, says the UBS global equities team, for French short rates to fall significantly lower "would require the franc to replace the D-Mark as the 'anchor' to the ERM", an event, they add, that is very unlikely.

Hopes for a cut in German rates later this week also appear to be remote, according to a number of brokers. According to Merrill Lynch's latest European investment strategy, "a stronger dollar reduces the likelihood of German rate cuts, as the Bundesbank has repeatedly voiced its concern over the inflationary impact of a stronger dollar".

UBS notes that the problem facing the Bundesbank "is that it has no hook upon which to hang a rate cut. Money supply is above target, inflation is still uncomfortably high and the currency is under pressure".

Switzerland enjoyed a record breaking run last week, assisted by the dollar. Mr Joe Rooney of Lehman Brothers comments that the Swiss market "continues to be one of the more attractively valued markets in Europe. . .and offers an appealing alternative to the German market".

Among Pacific Rim markets, Malaysia fell back sharply as investors continued to take profits after recent gains; the market remains one of the best performers in the FT-A World index, up 36 per cent year-on-year.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited
In conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JUNE 25 1993								THURSDAY JUNE 24 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	130.16	-0.2	130.56	87.27	115.19	129.27	-0.1	3.88	130.43	131.68	89.95	118.06	129.39	144.19	117.39	146.19
Austria (18)	146.60	+0.1	147.05	98.27	129.72	129.84	-0.2	1.49	146.42	147.82	100.98	130.28	130.09	150.96	131.16	171.52
Belgium (42)	144.00	+1.1	144.45	96.52	127.42	124.29	+0.5	4.60	142.48	143.85	98.25	126.78	123.68	156.76	131.19	144.03
Canada (108)	130.36	+0.0	130.77	87.39	115.35	121.06	+0.0	2.78	130.38	131.63	89.91	116.01	121.08	130.38	111.41	125.15
Denmark (33)	213.23	+0.6	213.90	142.95	188.68	189.60	+0.2	1.19	211.90	213.93	146.14	188.55	189.20	225.64	185.11	244.16
Finland (23)	85.55	-0.1	85.81	57.35	75.70	102.92	+0.0	1.18	85.66	86.48	59.08	76.22	102.92	100.92	65.50	77.75
France (97)	152.10	+0.1	152.57	101.95	134.58	137.13	+0.0	3.29	151.95	153.41	104.78	135.19	137.17	167.36	142.72	163.81
Germany (62)	108.75	+1.1	109.09	72.91	96.23	96.23	+0.5	2.20	107.59	108.63	74.21	95.73	95.73	117.10	101.59	125.55
Hong Kong (55)	283.65	-0.9	284.53	190.14	251.00	282.32	-0.9	3.34	286.16	288.90	197.34	254.64	284.98	301.61	218.82	258.24
Ireland (15)	156.94	+0.0	157.43	105.21	138.87	153.95	-0.7	3.50	156.89	158.40	108.20	139.60	154.97	170.40	129.28	158.84
Italy (72)	67.57	+0.7	67.78	45.29	59.79	77.64	+0.3	2.01	67.11	67.75	46.28	59.71	77.38	72.82	53.78	69.86
Japan (470)	148.14	+2.9	148.60	99.30	131.10	99.30	+0.0	0.84	144.00	145.38	99.31	128.15	99.31	155.96	100.75	95.76
Malaysia (69)	319.44	+2.2	320.44	214.13	282.65	318.27	+2.2	2.12	312.51	315.51	215.51	278.06	311.43	349.34	251.66	241.17
Mexico (18)	1481.06	-1.0	1485.70	992.85	1310.56	5043.41	-1.0	1.34	1496.49	1510.85	1032.04	1331.56	5095.07	1725.81	1410.30	1390.09
Netherland (24)	165.27	+0.6	165.78	110.79	146.24	144.03	+0.1	3.82	164.23	165.81	113.26	146.14	143.84	172.75	150.39	161.72
New Zealand (13)	49.35	+1.1	49.50	33.08	43.67	48.76	+1.1	4.57	48.80	49.27	33.65	43.42	48.22	49.82	40.56	46.24
Norway (22)	151.91	+0.9	152.38	101.83	134.42	147.89	+0.2	1.78	150.61	152.05	103.87	134.01	147.54	168.21	137.71	175.40
Singapore (38)	244.17	+0.7	244.93	163.68	216.06	183.02	+0.4	1.88	242.47	244.80	167.22	215.75	182.35	262.72	207.04	223.40
South Africa (60)	197.82	+1.3	198.44	132.61	175.04	203.00	+1.0	2.49	195.37	197.24	134.73	173.83	200.91	201.01	144.72	223.80
Spain (46)	124.82	-0.9	125.21	83.66	110.45	122.84	-1.3	4.80	125.90	127.11	86.83	112.03	124.42	132.82	115.23	154.41
Sweden (36)	164.27	+0.3	164.78	110.12	145.36	189.80	+0.0	1.78	163.85	165.42	113.00	145.80	189.80	184.06	149.70	193.95
Switzerland (52)	125.99	+1.1	126.38	84.46	111.50	118.06	+0.6	1.84	124.57	125.76	85.91	110.86	117.35	129.36	108.91	109.33
United Kingdom (219)	173.36	+0.4	173.90	116.20	153.38	173.90	-0.2	4.00	172.64	174.30	119.05	153.60	174.30	181.99	162.00	192.17
USA (519)	182.89	+0.2	183.46	122.61	161.84	182.89	+0.2	2.80	182.50	184.25	125.86	162.40	182.50	186.27	175.38	164.27
Europe (761)	142.30	+0.5	142.74	95.39	125.92	136.02	+0.0	3.27	141.57	142.93	97.63	125.97	136.00	149.02	133.92	153.76
Nordic (114)	158.37	+0.3	158.86	104.82	138.37	158.37	+0.1	1.57	155.83	157.32	107.46	138.66	158.27	171.77	142.13	180.38
Pacific Basin (713)	151.25	+2.5	151.73	101.40	133.84	105.66	+0.0	1.11	147.51	148.93	101.73	131.26	105.66	159.07	105.89	102.98
Euro-Pacific (1474)	147.47	+1.7	147.93	98.85	130.48	118.27	+0.0	1.96	144.96	146.36	99.97	128.98	118.27	154.05	117.26	123.50
North America (627)	179.61	+0.2	180.17	120.42	158.96	178.67	+0.2	2.80	179.24	180.96	123.63	159.52	178.31	182.38	171.51	161.81
Europe Ex. UK (542)	123.05	+0.6	123.43	82.50	108.90	114.50	+0.2	2.77	122.34	123.51	84.38	108.88	114.30	128.65	112.51	130.66
Pacific Ex. Japan (243)	182.47	+0.0	183.03	122.34	161.47	169.71	+0.0	3.24	182.47	184.22	125.86	162.38	169.76	194.08	152.70	173.87
World Ex. US (1660)	148.20	+1.6	148.67	99.36	131.14	120.50	+0.0	1.99	145.80	147.20	100.56	129.74	120.49	154.27	118.51	125.46
World Ex. UK (1960)	157.42	+1.2	157.91	105.53	139.31	136.35	+0.1	2.13	155.61	157.10	107.32	138.48	136.18	161.34	134.22	132.45
World Ex. So. Af. (2119)	158.67	+1.1	159.17	106.38	140.42	139.23	+0.1	2.30	156.96	158.47	108.26	139.68	139.12	162.74	137.29	137.04
World Ex. Japan (1709)	166.41	+0.3	166.93	111.57	147.28	162.53	+0.1	2.97	165.91	167.51	114.43	147.65	162.32	170.05	157.47	160.89
The World Index (2179)	158.84	+1.1	159.33	106.48	140.56	139.77	+0.1	2.30	157.12	158.63	108.36	139.82	139.64	162.88	137.32	137.59

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